(440)

DENOMINATION — Fully registered, $1,000 or any multiple thereof. Transferable and exchangeable without service charge.
CALLABLE — As a whole or in part at any time on or after June 1, 1994, at the option of Co., on at least 30 but not more than 60 days' notice to each May 14 as follows:

1995	104.667	1996	103.889	1997	103.111
1998	102.333	1999	101.556	2000	100.778

and thereafter at 100 plus accrued interest.
CONVERTIBLE — At any time on or prior to May 15, 2001 unless previously redeemed, at $23.50 per share, subject to adjustment in certain events.
CHANGE OF CONTROL — Upon the occurrence of a change of control of Co., each holder of the debentures will have the right to require that Co. repurchase all or any part, at such holder's option, of such holders's debentures at a purchase price in cash equal to 100% of the principal amount thereof, together with accrued interest to the date of repurchase.
OPTIONAL REDEMPTION — In the event that following a change of control whether before or after June 1, 1994, holders of 90% or more in aggregate principal amount of the debentures outstanding on the day on which the change of control occured elect to have their debentures repurchased by Co., Co. may, at its option, on not less than 30 nor more than 60 day's notice to the holders thereof, given within 60 days after the date of such repurchase, redeem the remaining debentures, as a whole but not in part, at 100 of the principal amount thereof, together with accrued interest to the date fixed for redemption.
SECURITY — Not secured. Subordinate to all senior indebtedness.
INDENTURE MODIFICATION — Indenture may be modified, except as provided, with consent of majority of debs. outstg.
RIGHTS ON DEFAULT — Trustee, or 25% of debs. outstg., may declare principal due and payable (30 days' grace for payment of interest).
LISTED — On New York Stock Exchange.
PURPOSE — Proceeds to reduce bank debt and for general corporate purposes, including capital expenditures, working capital and potential acquisitions of related business or products.
OFFERED — ($100,000,000) at 100 plus accrued interest (proceeds to Co., 97.75) on May 30, 1991 thru Wertheim Schroder & Co. Inc., Lehman Brothers and associates. Offering contained an over allotment option of up to $15,000,000 principal amount of debs.

PRICE RANGE —	1992	1991
High	147	135
Low	120½	104½

2. Other Long-Term Debt: Outstg. May 31, 1992, $35,574,000 comprised of:
(1) $16,437,000 9% acquisition indebtedness, net.
(2) $12,355,000 9⅞% to 14½% unsecured revolving credit notes payable.
(3) $2,354,000 9¼% to 10¼% notes payable, secured by certain property and plant facilities.
(4) $4,428,000 10% to 12½% capital lease obligations, net.

Co. has a line of credit agreement with a domestic bank which provides for aggregate unsecured borrowings of up to $20,000,000. Borrowings under this credit line bear interest at fluctuating rates not to exceed the bank's prime rate less ½ of 1%. Additionally, Co.'s foreign subsidiaries have various line of credit agreements with foreign banks which provide for aggregate borrowings of up to $30,000,000, bear interest at prevailing rates, are generally due on demand, and are generally guaranteed by the Co. At May 31, 1992 and 1991, outstg. borrowings under all such credit lines bore interest at a weighted average rate of 10.1% and 10.5%, respectively. At May 31, 1992, Co. had $37,600,000 of unused credit under all of its line of credit agreements.

Capital Stock: Sensormatic Electronics Corp. common; par $0.01:
AUTH — 60,000,000 shs.
OUTSTANDING — May 31, 1992, 25,257,000 shs.; in treas., 2,541,000 shs.; reserved for options, 4,420,000 shs.; reserved for Employee Stock Purchase Plan, 751,000 shs.; conversion of debs., 4,894,000; reserved for warrants, 800,000; par $0.01.
$0.01 par shs. split 3-for-2 May 31, 1983.
VOTING RIGHTS — Entitled to one vote per share.
PREEMPTIVE RIGHTS — None.
DIVIDENDS PAID — (calendar years):

1978	$0.05	1979	$0.11	[1]1980	$0.06

On $0.01 par shs. after 100% stk. div.:

1980	0.04	1982	0.05

On $0.01 par shs. after 100% stk. div.

1982	0.03	1983	0.03

On $0.01 par shs. after 3-for-2 split:

1983	0.02½	1984-89	0.05	1990	0.26
1991-92	0.30	[2]1993	0.15		

[1]Also paid stk. divs.: 1980, 100%; 1982, 100%.
[2]To May 14.
OFFERED — (300,000 shs.) at $12.50 on Feb. 13, 1969 thru Collins Securities Corp., New York and associates.
(300,000 shs.) at $6.50 on Oct. 7, 1970, thru Lineberger, Lowe & Co. and Associates.
(350,000 shs.) at $27.25 per sh. on Dec. 27, 1979, thru L.F. Rothschild, Unterberg, Towbin; The Robinson-Humphrey Company, Inc. and associates.
TRANSFER AGENT — First National Bank of Boston, Boston, Mass.
LISTED — On NYSE (Symbol:SRM).

PRICE RANGE —	1992	1991	[1]1990	1989	1988
High	32⅞	30½	15¾	13⅞	10½
Low	22½	13⅞	10⅛	9⅝	7⅜

[1]1990 and prior bid prices.

Warrants: Outstg., May 31, 1992, warrants to purchase 800,000 shares at $16.88 per sh. expiring Dec. 31, 1995.

SEQUA CORP.

History: Incorporated in Delaware, March 28, 1929, as General Printing Ink Corp.; Name changed to Sun Chemical Corp. on Nov. 28, 1945; present name adopted on May 8, 1987. For other acquisitions prior to 1960, see Moody's 1960 Industrial Manual.

In 1960 acquired Artistic Mfg. Co., Inc., Stamford, Conn., (sold in 1974); Dyna-Foam Corp., Ellenville, N.Y., (dissolved 1964); and business of Carbo Chemical Co., Pawtucket, R.I. (dissolved 1964).

On Nov. 30, 1960, General Printing Ink Co., Inc. (N.Y.), former subsidiary, was dissolved.

In Apr. 1966, acquired Tousey Varnish Co., Northlake, Ill., for $3,650,000 cash.

In June 1967 acquired Varnish Products Co. for 4,147 shares of 5% second pfd. stock.

On Jan. 29, 1968 sold the assets of Industrial Coatings Division.

In Dec. 1968 acquired Federal Color Laboratories, Inc., Cincinnati, O., for 303,030 common shares.

In Dec. 1969, acquired 241,500 shs. (over 10%) of Standard Kollsman Industries, Inc. for about $11 a sh.

On Dec. 30, 1970 acquired Web Press Engineering, Inc., Chicago, and Logic Systems Inc.

On Nov. 1, 1971 acquired Sta-Hi Corp. Newport Beach, Cal.

In Sept. 1972 acquired 80% interest in Societe France Couleurs, S.A. for cash.

On Dec. 29, 1972 merged Standard Kollsman Industries, Inc. thru exchange of 1 com. sh. for each 4½ Standard Kollsman shs.

In Apr. 1973 acquired 25% interest in Ault & Wiborg Group Ltd. Under deal, Ault & Wiborg will acquire British Printing Ink Co., a Co. subsidiary, and a license to manufacture and sell Co.'s Suncure ultraviolet cured printing inks (acquired additional 15% interest in 1974 and 2% in 1977.)

In Apr. 1973 acquired 83.9% interest in Baglini, S.p.A., Italy for an undisclosed cash sum (acquired additional 13.7% in 1976).

In Sept. 1973 acquired 80% interest in Societe Encres Dresse, Belgium, for cash.

In Apr. 1974, Encres Dresse subsidiary acquired Dambrame, Belgium for cash (acquired additional 10% in 1976).

In Dec. 1974, sold Artistic Division, manufacturer of ribbons and bows.

In Jan. 1975, sold Warwick Chemical (Yorkshire) Ltd.

In Feb., 1979, acquired a 5.2% interest in Chromalloy American Corp. Interest increased to 18% subsequently in 1979.

In Feb. 1982, Co. increased its interest in Chromalloy American Corp. to 36.1% by purchasing a total of 297,100 shs. for $5,500,000 between Oct. 23, 1981 thru Jan. 14, 1982. (Acquired remaining shs. in Dec. 1986).

In Feb. 1986, sold its Venezuelan printing ink subsidiary for $4,000,000.

In Jan. 1987, Co. completed the sale of its graphic arts materials group to Dainippon Ink and Chemicals, Inc., for approximately $550,000,000 in cash.

In Mar. 3, 1987, Co. acquired Litho-Strip Co. a division of Amsted Industries Inc. with plants in Chicago and Houston , also in 1987, acquired Jet Services West and Malichaud et Cie for at total purchase price of approximately $36,000,000.

In Dec. 1987, Co. acquired Atlantic Research Corp. for $307,000,000.

Also, in 1987, Co. sold K-G. Retail chains of mean's specialty stores.

On Jan. 5, 1988, Co. and Atlantic Research Corp. merged, following the conclusion of Co.'s $31 per share cash tender offer for Atlantic Research shares. In the offer, which expired on Dec. 21, 1987, Co. received valid tenders which, when coupled with shares already owned by Co., amount to approximately 94% of Atlantic Research shares. Atlantic Research stockholders who did not tender their stock but who surrender their shares in the merger will receive $31 per share in cash. Under the merger, Atlantic Research Corp. becomes a wholly owned subsidiary of Co.

In Mar. 1988, sold Chromallory American Insurance Group, Inc. with Resolute Holdings, Inc.

In 1988, Co. purchased all of the common stock of Sequa PLC. for $24,400,000.

Also, in 1988, Co. sold Woolley Tool & Manufacturing Division in the engineered services business.

In 1989, sold its land transportation division with the sale of its Transit Management Services Division, Muncie Reclamation & Supply Division, Hausman Bus Sales & Parts Division and National Seating Co.

Also in 1989, sold its Teleproducts Division.

In 1989, Co.'s wholly-owned subsidiary, Chromally Gas Turbine Corp., purchased the business and assets of Aero Cast, Inc., Aerodyne Investments Castings , Inc., Caval Tool & Machine Co., Inc., DRB Industries, Inc., H&H Parts Co., Inc. and The Stalker Corp. for $70,000,000.

On Dec. 12, 1989, sold a majority interest in Atlantic Research Corp. to Chromalloy Gas Turbine Corp.

In Mar. 1990, sold its Tempest Products unit for a total of approx. $3,132,000.

In Mar. 1992, completed tha sale of Sabine Towing and Transportation Co. for approx. $36,000,000, net in cash.

In Nov. 1992, Atlantic Research Corp., a unit of Co., acquired the assets of Interoperability Systems International in Athens, Greece. Terms of the acquisition were not disclosed.

In 1992, Co. completed the sale of Valley Line and the Gemoco division of engineered services.

Joint Venture: In 1989, Atlantic Research (ARC), a unit of Co. and Allied Signal formed a 50/50 joint venture, called Bendix Atlantic Inflator Company (BAICO), to develop, produce and market hybrid inflators for automotive airbag systems. The joint venture has expended substantial sums on the development and marketing of both passenger- and driver-side inflators, with early emphasis on the passenger-side unit. As a result of these efforts, the joint venture has orders from five car companies covering 10 models beginning with the 1994 model year. The first deliveries of production units will be made in 1993, when total shipments are estimated at 300,000 units.

In Aug. 1991, ARC and Industrial Materials Technology (IMT) formed a joint venture that will develop and manufacture titanium matrix composite (TMC) materials and parts for U.S. customers. The joint venture, operating under the name Atlantic-IMT, will benefit from the combination of resources, technology, complementary skills and experience in ARC and IMT. By combining the composite materials and processing expertise of ARC with the production facilities of Hot Isostatic Pressing (HIP) experience of IMT, Atlantic-IMT can offer customers a fully integrated capability for fabricating TMC components.

Business: Co. is engaged in producing and selling a broad range of products and services through operating companies in four consolidated industry segments: Aerospace, Machinery and Metal Coatings, Specialty Chemicals, and Professional Services and Other Products.

Property: Company leases 58,000 sq. ft. of corporate office space in New York, N.Y. and Hackensack, N.J.

Aerospace — The Kollsman operation owns two plants in New Hampshire with aggregate floor space of 400,000 sq. ft. and leases two other facilities in New Hampshire 155,000 sq. ft. This business also owns a 23,000 sq. ft. manufacturing facility in Wichita, Kan. and leases 7 domestic facilities aggregating 60,000 sq. ft.

The Chromalloy Gas Turbine Corp. operates 70 plants in fifteen states, Mexico and seven foreign countries in Europe and Asia with aggregate floor space of approx 4,500,000 sq. ft., of which approx. 2,200,000 sq. ft. is owned and approx. 2,300,000 sq. ft. is leased.

Rocket propulsion operations lease a 1,014-acre manufacturing facility in Camden, Ark. Co. owns 12 acres and an 89,000 sq. ft. office and manufacturing complex in Gainsville, Va. An auditional 33,000 sq. ft. is leased for administrative and manufacturing purposes in Ala., Cal. and Va. The liquid propulsion division leases a 101,000 sq. ft. facility in Niagara, N.Y. Co. also owns 2,430 acres of land in Orange County, Va., which has been developed for use in the propellant business. An additional 38,000 sq. ft. is owned in Alexandria, Va. and is used for administrative purposes.

Machinery and Metal Coatings — The can forming and decorating operations own two plants in the United States with aggregating floor space of 228,000 sq. ft and leases one small warehouse facility of approx. 5,000 sq. ft. In Europe, through the segment's auxiliary press equipment supplier, Materiels Equipement Graphiques (MEG), Co. owns a plant with aggregate floor space of approx. 57,000 sq. ft. MEG also leases two sales offices and owns a storage facility in Europe with a total of 20,000 square feet and leases a 1,000 square foot sales office in Singapore. The Precoat Metals operations owns four manufacturing facilities in Mo., Ill. and Tex. with a total of 500,000 sq. ft of space. An additional 56,000 sq. ft is leased in Ill. and Tex. for manufacturing purposes.

Specialty Chemicals — The Specialty Chemicals segment owns one plant situated on 78 acres in Chester, S.C. aggregating 153,000 sq. ft. of space. In addition, the segment owns two plants in the United Kingdom with aggregate floor space of 211,000 sq. ft. on approx. 37 acres of land and leases a 8,000 sq. ft. of warehouse and office space in five separate locations in France, Spain, the United Kingdom and Italy.

Professional Services and Other Products — The Professional Services Group operates in 49 locations with a total of approx. 451,000 sq. ft. of space in the U.S., Canada, the United Kingdom and Greece. A 20,000 sq. ft. property is owned in Baltimore, Md. and an additional 45,000 sq. ft. facility is owned in Sterling, Va.

The automotive products subsidiary, Casco, owns a 205,000 sq. ft. plant in Conn. and leases a 1,200 sq. ft. sales office in Detroit, Mich. In addition, Casco Ltd. leases 3,200 sq. ft. of manufacturing, warehouse and office space in the U.K. The can and lid manufacturing subsidiaries, Northern Can Systems and its affiliated companies (NCS), own manufacturing facilities in Ohio, Wis. and Canada with aggregate floor space of 226,000 sq.

ft. In addition, NCS owns a 120,000 sq. ft. warehouse in Wis.

The Centor Company, a wholly-owned subsidiary, owns and operates the Chromalloy Plaza Building, a 18-story office building in Clayton, Mo. with approx. 284,000 sq. ft. of rentable office and commercial space. Centor owns 10 properties that are either leased to third parties and/or held for sale.

Subsidiaries

Atlantic Research Corporation
Chromalloy Gas Turbine Corporation
Casco Products Corp.
Kollsman Manufacturing Co.
The Valley Line Company
Sequa Chemicals, Inc.
Warwick International Ltd.
Sequa Engineered Services
Sequa Capital Corporation
SunRise Insurance Limited

Officers

N.E. Alexander, Chmn. & C.E.O.
J.J. Quicke, Pres. & C.O.O.
S.Z. Krinsly, Sr. Exec. V.P. & Gen. Counsel
G.S. Gutterman, Exec. V.P., Fin. & Admin.
W.P. Ksiazek, V.P. & Contr.

Senior Vice-Presidents

H. Brill-Edwards	D.M. Libutti
A.L. Savoca	M. Weinstein
R.H. Wright	

Directors

N.E. Alexander	J.J. Quicke
A. Dworman	A.L. Fergenson
R. Frankel	D.S. Gottesman
D.D. Kummerfeld	R.S. LeFrak
F.R. Sullivan	G. Tsai, Jr.

Auditors: Arthur Andersen & Co.

Annual Meeting: In May.

Shareholder Relations: Linda G. Kyriakou ,Vice-Pres. Corp. Comm.. **Tel.:** (212) 986-5500.

No. of Stockholders: Mar. 24, 1993, 3,520 Cl. A; 830, Cl. B.

No. of Employees: Dec. 31, 1992, 13,800.

Address: 200 Park Avenue, New York, NY 10166. **Tel.:** (212) 986-5500. **Fax:** (212) 370-1969.

Consolidated Income Account, years ended Dec. 31 ($000):

	1992	1991	[1][2]1990
Sales & revenues	1,868,341	1,878,787	1,957,831
Cost of sales & revs	1,480,412	1,497,204	1,515,849
Selling, gen & admin	263,325	263,893	260,743
Total costs & exps	1,743,737	1,761,097	1,776,592
Operating income	124,604	117,690	181,239
Interest expense	73,125	82,802	68,869
Interest income	4,137	6,293	8,616
Other, net	*dr*11,816	*dr*7,162	*dr*12,844
Tot other inc (exp)	*dr*80,804	*dr*83,671	*dr*73,097
Inc bef income taxes	43,800	34,019	108,142
Prov for inc taxes	25,900	19,000	48,775
Inc fr contin opers	17,900	15,019	59,367
Inc fr discont opers	*dr*21,700	*dr*21,609	*dr*26,702
Inc bef acctg change	*d*3,800	*d*6,590	32,665
Prior yrs-acctg chg for inc tax	*dr*7,337	......	......
Net income	*d*11,137	*d*6,590	32,665
Preferred dividends	3,168	3,161	3,529
Net inc available to com stk	*d*14,305	*d*9,751	29,136
Previous retain earn	473,251	488,456	464,710
Cash divs-Class A	3,710	3,678	3,642
Cash divs-Class B	1,750	1,776	1,748
Cash divs-pfd	3,168	3,161	3,529
Retained earnings	453,486	473,251	488,456
Earn com sh:			
Primary:			
Cont oper	$1.53	$1.24	$5.81
Discont opers	*d*$2.26	*d*$2.26	*d*$2.78
Acctg change	*d*$0.76	......	......
Net income	*d*$1.49	*d*$1.02	$3.03
Common shares (000):			
Year-end	9,655	10,915	10,915
Average	9,620	9,534	9,618

[1]Reclassified to conform with current presentation [2]Restated to reflect Valley Line & Sabine Towing & Transportation operations, Engineered Services & the Men's Apparel units as discontinued operations

Consolidated Balance Sheet, as of Dec. 31 ($000):

	1992	[1]1991
Assets:		
Cash & cash equivalents	14,807	12,910
Short-term investments	......	3,040
Receivables, net	200,345	235,370
Unbilled receivables, net	110,941	141,253
Inventories	312,310	345,621
Other current assets	40,791	40,338
Total current assets	679,194	778,532
Net assets of discont opers	198,542	245,383
Non-curr receivs & other invests	21,321	19,616
Total investments	219,863	264,999
Prop, plant & equip, net	630,409	665,792
Excess of cost over assets of cos acquired	362,357	373,012
Deferred charges & other	20,645	25,922
Total other assets	383,002	398,934
Total assets	1,912,468	2,108,257
Liabilities:		
Curr matur of lg tm debt	16,867	23,797
Accounts payable	116,525	141,889
Taxes on income	20,363	24,716
Accrued expenses	196,391	192,789
Total current liabil	350,146	383,191
Lg tm debt, net of curr matur	689,970	825,459
Deferred taxes on income	41,437	48,635
Other long-term liabil	179,249	154,384
Defer crs & other liabil	220,686	203,019
Pfd stock-$5 cum conv	[2][3]797	[2][3]797
Class A common stock	[4][5]7,042	[4][5]7,042
Class B common stock	[6][7]3,873	[6][7]3,873
Cap in excess of par value	295,806	299,451
Cumululative transl adj	*dr*10,583	*cr*19,205
Retained earnings	453,486	473,251
Total	750,421	803,619
Less-cost of treasury stk	[8][9]*dr*98,755	[8][9]*dr*107,031
Total shholders' equity	651,666	696,588
Total liabil & stk eq	1,912,468	2,108,257
Net current assets	329,048	395,341
Book value	$29.88	$29.57

[1]Reclassified to conform with current presentation [2]Par value: $1.00; Authorized shares: 1,825,000; Issued: 1992 797,000 ; 1991 1,825,000 [3]Involuntary liquidation value: 1992 $26,359,000 ; 1991 $26,359,000 [4]No par value; Authorized shares: 1992 25,000,000 ; 1991 25,000,000 [5]Issued shares: 1991 7,042,000 [6]No par value; Authorized shares: 1992 5,000,000 ; 1991 5,000,000 [7]Issued shares: 1992 3,873,000 ; 1991 3,873,000 [8]Class A shares: 1992 864,052 ; 1991 984,044 [9]Class B shares: 1992 396,283 ; 1991 396,283

Auditor's Report: The following is an excerpt from the Report of Independent Auditors, Arthur Andersen & Co., as it appeared in the 1992 Form 10-K.

"As discussed in Note 16 to the consolidated financial statements, a federal grand jury investigation and a Federal Aviation Administration audit of one of the operating units of the Company's subsidiary, Chromalloy Gas Turbine Corporation, were begun in 1992 and are continuing. There can be no assurance that the ultimate resolution of this investigation and audit will not have a material adverse effect on the Company or on its financial position."

Long-Term Debt: 1. Sequa Corp. 10½% senior subordinated notes, due 1998:

Rating — B3

AUTH — $250,000,000.
OUTSTG — Dec. 31, 1992, $247,450,000.
DUE — May 1, 1998.
INTEREST — M&N 1.
CALLABLE — As a whole or in part beginning May 1, 1993 at 104.67.
OTHER DETAILS — Not reported.
LISTED — On New York Stock Exchange.
OFFERED — $250,000,000 on Apr. 27, 1988 thru Drexel Burnham Lambert Inc. & Bear Sterns & Co. Inc. and associates.

PRICE RANGE —	1992	1991	1990	1989	1988
High	105	101	103	100½	101
Low	98½	96⅜	100	100½	98

2. Sequa Corp 9⅝% notes, due 1999:

Rating — B2

AUTH — $150,000,000.
OUTSTG — Dec. 31, 1992, $150,000,000.
DATED — Oct. 15, 1989.
DUE — Oct. 15, 1999.
INTEREST — A&O 15 to holders registered M 31 & S 30.
TRUSTEE — The First National Bank of Chicago.
DENOMINATION — Fully registered, $1,000 and integral multiples thereof. Transferable and exchangeable without service charge.
CALLABLE — Not callable prior to maturity.
SECURITY — Not secured. Rank prior to all subordinated indebtedness of Co. and pari passu with all other unsecured and unsubordinated indebtedness of Co. Co. or any restricted subsidiary will not create, incur, issue or assume any indebtedness secured by any lien on any physical property owned by Co. or any wholly-owned domestic subsidiary, and Co. will not itself, and will not permit any subsidiary to, create, incur, issue or assume any indebtedness secured by any lien on any shares of stock or indebtedness of any wholly-owned domestic subsidiary which owns any physical property, without equally and ratably securing the indenture securities, unless after giving effect thereto the aggregate principal amount of such secured indebtedness then outstanding plus the attributable debt of Co. and its wholly-owned domestic subsidiaries in respect of sale and leaseback transactions involving physical property entered into after the date of the first issuance of indenture securities, other than such transactions as are permitted as described in clause (b) under Sale and Leaseback would not exceed 5% of consolidated net tangible assets.
SALE AND LEASEBACK — So long as any indenture securities are outstanding under the indenture, Co. or, any wholly-owned domestic subsidiary will not enter into any sale and leaseback transaction after the date. of the first issuance of indenture securities covering any principal property, which was or is owned or leased by Co. or a subsidiary and which has been or is to be sold or transferred more than 120 days after the completion of construction and commencement of full operation thereof, unless (a) the attributable debt of Co. and its wholly-owned domestic subsidiaries in respect thereto and all other sale and leaseback transactions entered into after the date of th issuance of indenture securities, plus the agg principal amount of indebtedness secured by on physical properties then outstanding wi equally and ratably securing the indenture s ties, would not exceed 5% of consolidated ne gible assets, or (b) an amount equal to the g of the net proceeds of such sale or transfer (fair value of such physical property is a within 120 days to the voluntary retirement (indenture securities or other indebtedness of (indebtedness of a wholly-owned domestic su ary, for money borrowed, maturing more th months after such application.
INDENTURE MODIFICATION — Inde may be modified, except as provided, with co of 66⅔% of notes outstg.
RIGHTS ON DEFAULT — Trustee, or 25' notes outstg., may declare principal due and] ble (30 day's grace for payment of interest).
PURPOSE — Proceeds will be added to the eral funds of Co. and may be used to repay standing debt and to meet capital expenditur working capital requirements.
OFFERED — ($150,000,000) at 99.75 plus ac interest (proceeds to Co., 99.10) on Oct. 19, thru Merrill Lynch Capital Markets; Bear, St & Co. Inc.; J.P. Morgan Securities Inc.; She Lehman Hutton Inc. and associates.

3. Sequa Corp. med.-term notes, ser. A, 9 to 40 yrs.:

Rating — B2

AUTH — $100,000,000.
OUTSTG — Dec. 31, 1992, $100,000,000.
DATED — 1991.
DUE — 9 mos. to 40 yrs.
INTEREST — A&O 15 to holders registered & S 30. Each note will bear interest at either fixed rate or (b) a floating rate determined b erence to an interest rate base, which ma adjusted by a spread or spread multiplier. floating rate note may also have either or bo the following: (I) a maximum numerical in rate limitation, or ceiling, on the rate of in that may accrue during any interest period (II) a minimum numerical interest rate limit or floor, on the rate of interest that may a during any interest period. The applicable p supplement will designate a fixed rate per a for each fixed rate note or one of the follo bate rates for each floating rate note: the CD the Commercial Paper Rate, the Federal F Rate, LIBOR, the Treasury Rate, the Prime or another base rate designated by Co.
TRUSTEE — First National Bank of Chicago.
DENOMINATION — Each note will initiall represented by a globe note registered in the of The Depository Trust Co., the Depository inee unless the applicable pricing supplement ifies that notes will be issued in definitive tered form. An interest in a global note wi shown on, and transfers thereof will be eff only through records maintained by the depos and its participants. A beneficial interest Global note will be exchanged for notes in d tive form only under the limited circumst described herein. Fully registered $100,000 or amount in excess thereof which is an integral tiple of $1,000.
CALLABLE — If provided in the applicable ing supplement, the notes may be redeemab the option of Co. thereof prior to the stated m ity at a price specified in such pricing suppleme
REPAYMENT AT THE OPTION HOLDER — If provided in the applicable pr supplement, the notes may be repayable at option of the holder thereof prior to the st maturity at a price specified in such pricing plement.
SECURITY — Not secured. Ranks equally wit other unsecured and unsubordinated indebted of Co. (I) Co. nor any wholly-owned domestic sidiary will not create, incur, issue or assume indebtedness secured by any lien on any phy property owned by Co. or any wholly-ov domestic subsidiary, and (II) Co. will not i and will not permit any subsidiary to, cr incur, issue or assume any indebtedness sec by any lien on any shares of stock or indebted of any wholly-owned domestic subsidiary w owns any physical property, without, in any e described in the foregoing clause (I) or equally and ratably securing the indenture se ties, unless after giving effect thereto (x) the a gate principal amount of such secured inde ness then outstanding plus (y) the attribut debt of Co. and its wholly-owned domestic sub aries in respect of sale and leaseback transact described below involving physical prope entered into after the date of the first issuanc indenture securities, other liens existing on property of or shares of stock or indebtednes any corporation at the time it becomes a wh owned domestic subsidiary, or arising there pursuant to contractual commitments entered prior to such corporation's becoming a wh owned domestic subsidiary and otherwise tha connection with borrowing of money arra after such corporation became a wholly-ow domestic subsidiary, would not exceed 5% of solidated net tangible assets.
SALE AND LEASEBACK — Co. or any wh owned subsidiary will not enter into any sale leasebacktransaction after the date of the first i ance of indenture securities covering any phy property, which was or is owned or leased by or a wholly-owned domestic subsidiary and w

has been or is to be sold or transferred more than 120 days after the completion of construction and commencement of full operation thereof, unless (a) the attributable debt of Co. and its wholly-owned domestic subsidiaries in respect thereto and all other sale and lease back transactions entered into after the date of the first issuance of indenture securities, plus the aggregate principal amount of indebtedness secured by liens on physical properties then outstanding without equally and ratably securing the indenture securities, would not exceed 5% of consolidated net tangible assets, or (b) and amount equal to the greater of the net proceeds of such sale or transfer or the fair value of such physical property is applied within 120 days to the voluntary retirement of the indenture securities or other indebtedness of Co. or indebtedness of a wholly-owned domestic subsidiary for money borrowed, maturing more than 12 months after such application.

INDENTURE MODIFICATION — Indenture may be modified, except as provided, with consent of 66⅔% of notes outstg.

RIGHTS ON DEFAULT — Trustee, or 25% of notes outstg., may declare principal due and payable (30 day's grace for payment of interest).

PURPOSE — Proceeds will be added to the general funds of Co. and may be used to repay outstanding debt and to meet capital expenditure and working capital requirements.

OFFERED — ($100,000,000) at 100 plus accrued interest (proceeds to Co., 99.875-99.000) on Apr. 22, 1991 thru Bear, Stearns & Co. Inc., Merrill and associates.

4. Other Long-Term Debt: Outstg. Dec. 31, 1992, $209,387,000 comprised of:

(1) $50,000,000 10.3% private placement, due 1994.

(2) $83,000,000 revolving term loan at weighted average interest rate of 4.9%.

(3) $51,143,000 mortgage notes payable and equipment obligations, at weighted average interest rates of 11.0%, payable in varying amounts thru 2013.

(4) $25,244,000 other long-term debt, at weighted average interest rates of 8.3%, payable in varying amounts through 2003.

In Nov. 1991, Co. entered into a new $275,000,000 revolving credit agreement with a group of banks that extends through Jan. 1994. The rate of interest payable under the loan agreement is, at Co.'s option, a function of the prime rate, the Eurodollar rate or the domestic certificate of deposit rate. The agreement requires the Co. to pay a facility fee at a annual rate of .5% of the maximum amount available under the credit line. Under the terms of the revolving credit agreement, the maximum commitment was reduced to $262,400,000 as a result of the divestiture of discontinued operations. At Dec. 31, 1992, $83,000,000 was outstanding under this facility and $179,400,000 of unused credit remained available. In Mar. 1993, the maximum amount available under the revolving credit agreement was amended to $250,000,000.

Co. has the intent and the ability, supported by the terms of the revolving credit agreement, to maintain through Jan. 1994 principal amounts outstanding under the revolving credit agreement. Accordingly, amounts outstanding under this facility have been classified as long-term debt.

Co. has a policy aimed at managing interest rate risk associated with its current and future anticipated borrowings; accordingly, Co. has entered into various interest rate swaps, options and similar arrangements. Any fees paid or received in connection with these arrangements are deferred and amortized as yield adjustments over appropriate future periods. As of Dec. 31, 1992, Co. had outstanding interest rate swap expiring in 1996 which effectively converts $50,000,000 of variable-rate borrowings under short-term financing facilities to fixed-rate borrowings with an average interest rate of 8.7%, and interest rate swaps expiring in 1996 and 1998 which effectively convert $75,000,000 of fixed rate medium term notes into variable-rate borrowings. Based upon market interest rates at the balance sheet date, the Co. would have to pay approx. $1,300,000 to terminate its interest rate swaps and options outstanding at Dec. 31, 1992.

The Company's loan agreements contain covenants which restrict, among other matters, the ability of the Company to borrow, invest in Sequa Capital Corp., pay dividends and repurchase common stock. The Company must also maintain certain ratios regarding interest coverage, leverage and net worth, among other restrictions. Under the most restrictive covenants at Dec. 31, 1992, consolidated retained earnings of approx. $11,653,000 were unrestricted as to payment of cash dividends and repurchase of Co.'s common stock. In addition, Sequa Capital is subject to a covenant related to net worth. Certain of the Co.'s other subsidiaries are also subject to covenants which restrict loans, advances and cash.

Subsequent Financing: On May 28, 1993, Co. and its banks signed an amendment to Co.'s $250,000,000 revolving credit agreement that will provide Co. with enhanced liquidity.

In a Form 8K, filed May 28 with the Securities and Exchange Commission, Co. indicated that the amendment increases its present borrowing ability under the credit to approximately $170,000,000 from a previous limit of $125,000,000. Currently, the Co. has drawn down $135,000,000.

In connection with the amendment, Co. entered into a security agreement and certain subsidiaries entered into a guaranty agreement each for the benefit of its banks. The security agreement is intended to be amended to [illegible] its banks, as well as holders of its private public senior debt, with a ratable security interest in certain of its assets.

The Co. intends to begin discussions within next three months toward the development new or revised credit facility to replace the current credit agreement expiring on Jan. 31, 1994.

Capital Stock: 1. Sequa Corp. $5 cumulative convertible preferred; par $1:

AUTH — 1,825,000 shs.

OUTSTANDING — Dec. 31, 1992, 633,511 shares; in treas., 163,489 shs.; par $1.

DIVIDEND RIGHTS — Entitled to cumulative dividends of $5 per sh. per annum.

CONVERTIBLE — Each sh. in convertible 1.322 shs. of Class A common.

CALLABLE — At option of Co. at $100 per sh.

LISTED — On NYSE (Symbol: SQA Pr)

DIVIDEND RECORD — Initial dividend of [illegible] paid Feb. 1, 1987; regular quarterly dividends thereafter.

PRICE RANGE —	1992	1991	1990	1989
High	83½	91½	105	106
Low	68	70½	97	86

ISSUED — Issued in connection with merger [illegible] Co. and Chromalloy American Corp.

2. Sequa Corp. Class A common; no par:

AUTH — 25,000,000 shs.

OUTSTANDING — Dec. 31, 1992, 6,177,948 shs.; in treas., 864,052 shs.; reserved for options, conversion of preferred and Class B common stock 4,476,305 shares; no par.

DIVIDENDS PAID —

On Old Common Stock

On no par shares:

1929	$1.875	1930-31	$2.50	1932	$0.[illegible]
1933	0.15	1934	1.00	1935	2.[illegible]
1936	5.00	1937	0.60		

On $1 par shares:

1937	0.90	1938	0.50	1939	0.[illegible]
1940	0.60	1941	0.65	1942	0.[illegible]
1943-44	0.40	1945	0.45	1946-47	0.[illegible]
1948	0.50	1949	0.40	1950	0.[illegible]
1951-54	0.75	1955	0.85	1956	0.[illegible]
1957	0.80	1958	0.70	1959-61	0.[illegible]
1962-76	0.40				

On $1 par shs. after 3-for-2 split:

1977	0.45	1978	0.60	1979	0.4[illegible]

On $1 par shs. after 4-for-3 split:

1979	0.15	1980	0.60	1981	0.1[illegible]

On $1 par shs. after 3-for-2 split:

1981	0.36	1982-86	0.48

On Class A common

1987-92	0.60	[1]1993	0.30

[1]To July 1.

DIVIDEND RIGHTS — For a period of five years commencing Jan. 1, 1987, annual dividends, if any, on Class A common will be at least $0.10 more per sh. than Class B common dividends.

VOTING RIGHTS — Has one vote per share.

PREEMPTIVE RIGHTS — None.

TRANSFER AGENT & REGISTRAR — Continental Stock Transfer & Trust Co., NYC.

LISTED — On NYSE (Symbol: SQA A).

PRICE RANGE —	1992	1991	1990	1989	1988
High	51	66⅛	77	77½	69¾
Low	29	38¾	50	56⅝	49⅝

3. Sequa Corp. Class B common; no par:

AUTH — 5,000,000 shs.

OUTSTANDING — Dec. 31, 1992, 3,476,717 shares; treas., 396,283 shs.; no par.

DIVIDENDS PAID —

1987-92	$0.50	[1]1993	0.25

[1]To July 1.

VOTING RIGHTS — Has ten votes per share.

CONVERTIBLE — Convertible into Class A common stk. on a sh.-for-sh. basis.

LISTED — On NYSE (Symbol: SQA B).

PRICE RANGE —	1992	1991	1990	1989	1988
High	58	73½	85½	80½	72
Low	30¼	47	64½	61	51½

Recapitalization: In Dec. 1986, stockholders approved a proposal to authorize 25,000,000 shares of Class A common and 5,000,000 shares of Class B common and each outstanding common share was converted into a one-half share of Class A and one-half share of Class B common.

SERVICE MERCHANDISE CO.,INC.

History: Inc. in Tenn. in Jan. 1970 to succeed to catalog and showroom merchandising business founded in Sept. 1960.

On July 30, 1971, acquired, in pooling of interests transactions, outstg. capital stock of 7 affiliated Cos. in exchange for 484,287 com. shs.

In Apr. 1974, acquired 7 catalog showrooms operations of Malone & Hyde, Inc. for about $10,000,000 in cash and notes.

In July acquired 2 Sam Solomon Co. stores in Charlotte, N.C., for undisclosed terms.

On Aug. 10, 1982, acquired Sam Solomon Company in a stock transaction valued at $10,233,000.

On May 3, 1983, acquired The Computer Shoppe, Inc. for 100,000 shs. of Co.'s com. stk.

In July 1983, acquired Home Owners Warehouse, Inc. for 663,000 Co. com. shs.

On May 8, 1985, Co. acquired H.J. Wilson Co., Inc. through a tender offer for all of the outstanding shares of its common stock.

On May 24, [illegible] Co. acquired Ellman's [illegible] through a tender offer for all of its outstanding common shares.

As of Jan. 3, [illegible] sold for cash MrHOW [illegible] and all related inventory.

On Nov. 10, [illegible] Co. acquired [illegible] stores in Buffalo, N.Y.

Business: Co. is engaged, through its 372 [illegible], in the sale of a broad line of fine jewelry, including diamonds, giftware, silverware, housewares, small [illegible], televisions, and other cameras, [illegible] lawn and garden accessories, home electronics, sporting [illegible] toys.

Property: Co. operates 374 stores in 37 states [illegible] are located as follows:

[illegible]

[illegible] also operated five [illegible] distribution [illegible] Jan. 2, 1993. [illegible] distribution centers [illegible] in Orlando, [illegible] Tenn.; Dallas, [illegible] and [illegible], N.Y.; [illegible] in an aggregate [illegible]

Officers

[illegible] Zimmerman, Chmn., Pres. & C.E.O.

[illegible]

[illegible] Hograefe, Treas.

Directors

[illegible]

Auditors: Deloitte & Touche.

Annual Meeting: In April.

Stockholder Relations: [illegible] Mike Hograefe, Asst. [illegible] **Tel.:** (615) 660-[illegible]

No. of Stockholders: [illegible]

No. of Employees: [illegible]

Address: 7100 Service Merchandise Drive, Brentwood, TN 37027. **Tel.:** [illegible]

Mailing: P.O. Box [illegible], Nashville, TN 372[illegible]

Consolidated Income Account, years ended

[illegible]

Consolidated Balance Sheet, as of ($000):

[illegible]

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standing on the day on which the change of control occured elect to have their debentures repurchased by Co., Co. may, at its option, on not less than 30 nor more than 60 day's notice to the holders thereof, given within 60 days after the date of such repurchase, redeem the remaining debentures, as a whole but not in part, at 100 of the principal amount thereof, together with accrued interest to the date fixed for redemption.
SECURITY — Not secured. Subordinate to all senior indebtedness.
INDENTURE MODIFICATION — Indenture may be modified, except as provided, with consent of majority of debs. outstg.
RIGHTS ON DEFAULT — Trustee, or 25% of debs. outstg., may declare principal due and payable (30 days' grace for payment of interest).
LISTED — On New York Stock Exchange.
PURPOSE — Proceeds to reduce bank debt and for general corporate purposes, including capital expenditures, working capital and potential acquisitions of related business or products.
OFFERED — ($100,000,000) at 100 plus accrued interest (proceeds to Co., 97.75) on May 30, 1991 thru Wertheim Schroder & Co. Inc., Lehman Brothers and associates. Offering contained an over allotment option of up to $15,000,000 principal amount of debs.
PRICE RANGE — 1991, 135-104½

2. Other Long-Term Debt: Outstg. May 31, 1991, $33,729,000 consisting of:
(1) $16,952,000 9% acquisition indebtedness, net.
(2) $9,688,000 unsecured revolving credit notes payable.
(3) $2,436,000 9¼% to 10¼% notes payable, secured by certain property and plant facilities.
(4) $4,653,000 10% to 12½% capital lease obligations, net.

Capital Stock: Sensormatic Electronics Corp. common; par $0.01:
AUTH. — 60,000,000 shs.; outstg., May 31, 1991, 24,326,000 shs.; in treas., 2,677,000 shs.; reserved for options, 2,228,000 shs.; reserved for Employee Stock Purchase Plan, 921,000 shs.; conversion of debs., 4,894,000; reserved for warrants, 800,000; par $0.01.
$0.01 par shs. split 3-for-2 May 31, 1983.
VOTING RIGHTS — Entitled to one vote per share.
PREEMPTIVE RIGHTS — None.
DIVIDENDS PAID (calendar years):
1978..............$0.05 1979 ....$0.11 [1]1980.........$0.06
On $0.01 par shs. after 100% stk. div.:
1980...............0.04 1982 ....0.05
On $0.01 par shs. after 100% stk. div.
1982...............0.03 1983 ....0.03
On $0.01 par shs. after 3-for-2 split:
1983...........0.02½ 1984-89 ....0.05 1990..............0.26
1991...............0.30
[1]Also paid stk. divs.: 1980, 100%; 1982, 100%.
OFFERED (300,000 shs.) at $12.50 on Feb. 13, 1969 by Collins Securities Corp., New York and associates.
(300,000 shs.) at $6.50 on Oct. 7, 1970, thru Lineberger, Lowe & Co. and Associates.
(350,000 shs.) at $27.25 per sh. on Dec. 27, 1979, thru L.F. Rothschild, Unterberg, Towbin; The Robinson-Humphrey Company, Inc. and associates.
TRANSFER AGENT — First National Bank of Boston, Boston, Mass.
LISTED — On NYSE (Symbol:SRM).

PRICE RANGE —	1991	[1]1990	1989	1988	1987
High	30½	15¾	13⅞	10½	13⅜
Low	13⅞	10⅛	9⅝	7⅜	7⅛

[1]1990 and prior bid prices.

Warrants: Outstg., May 31, 1991, warrants to purchase 800,000 shares at $16.88 per sh. expiring Dec. 31, 1995.

SEQUA CORP.

History: Incorporated in Delaware, March 28, 1929, as General Printing Ink Corp.; Name changed to Sun Chemical Corp. on Nov. 28, 1945; present name adopted on May 8, 1987. For other acquisitions prior to 1960, see Moody's 1960 Industrial Manual.
In 1960 acquired Artistic Mfg. Co., Inc., Stamford, Conn., (sold in 1974); Dyna-Foam Corp., Ellenville, N.Y., (dissolved 1964); and business of Carbo Chemical Co., Pawtucket, R.I. (dissolved 1964).
On Nov. 30, 1960, General Printing Ink Co., Inc. (N.Y.), former subsidiary, was dissolved.
In Apr. 1966, acquired Tousey Varnish Co., Northlake, Ill., for $3,650,000 cash.
In June 1967 acquired Varnish Products Co. for 4,147 shares of 5% second pfd. stock.
On Jan. 29, 1968 sold the assets of Industrial Coatings Division.
In Dec. 1968 acquired Federal Color Laboratories, Inc., Cincinnati, O., for 303,030 common shares.
In Dec. 1969, acquired 241,500 shs. (over 10%) of Standard Kollsman Industries, Inc. for about $11 a sh.
On Dec. 30, 1970 acquired Web Press Engineering, Inc., Chicago, and Logic Systems Inc.
On Nov. 1, 1971 acquired Sta-Hi Corp. Newport Beach, Cal.
In Sept. 1972 acquired 80% interest in Societe France Couleurs, S.A. for cash.
On Dec. 29, 1972 merged Standard Kollsman Industries, Inc. thru exchange of 1 com. sh. for each 4½ Standard Kollsman shs.
In Apr. 1973 acquired 25% interest in Ault & Wiborg Group Ltd. Under deal, Ault & Wiborg will acquire British Printing Ink Co., a Co. subsidiary, and a license to manufacture and sell Co.'s Suncure ultraviolet cured printing inks (acquired additional 15% interest in 1974 and 2% in 1977.)
In Apr. 1973 acquired 83.9% interest in Baglini, S.p.A., Italy for an undisclosed cash sum (acquired additional 13.7% in 1976).
In Sept. 1973 acquired 80% interest in Societe Encres Dresse, Belgium, for cash.
In Apr. 1974, Encres Dresse subsidiary acquired Dambrame, Belgium for cash (acquired additional 10% in 1976).
In Dec. 1974, sold Artistic Division, manufacturer of ribbons and bows.
In Jan. 1975, sold Warwick Chemical (Yorkshire) Ltd.
In Feb., 1979, acquired a 5.2% interest in Chromalloy American Corp. Interest increased to 18% subsequently in 1979.
In Feb. 1982, Co. increased its interest in Chromalloy American Corp. to 36.1% by purchasing a total of 297,100 shs. for $5,500,000 between Oct. 23, 1981 thru Jan. 14, 1982. (Acquired remaining shs. in Dec. 1986).
In Feb. 1986, sold its Venezuelan printing ink subsidiary for $4,000,000.
In Jan. 1987, Co. completed the sale of its graphic arts materials group to Dainippon Ink and Chemicals, Inc., for approximately $550,000,000 in cash.
In Mar. 3, 1987, Co. acquired Litho-Strip Co. a division of Amsted Industries Inc. with plants in Chicago and Houston , also in 1987, acquired Jet Services West and Malichaud et Cie for at total purchase price of approximately $36,000,000.
In Dec. 1987, Co. acquired Atlantic Research Corp. for $307,000,000.
Also, in 1987, Co. sold K-G. Retail chains of mean's specialty stores.
On Jan. 5, 1988, Co. and Atlantic Research Corp. merged, following the conclusion of Co.'s $31 per share cash tender offer for Atlantic Research shares. In the offer, which expired on Dec. 21, 1987, Co. received valid tenders which, when coupled with shares already owned by Co., amount to approximately 94% of Atlantic Research shares. Atlantic Research stockholders who did not tender their stock but who surrender their shares in the merger will receive $31 per share in cash. Under the merger, Atlantic Research Corp. becomes a wholly owned subsidiary of Co.
In Mar. 1988, sold Chromallory American Insurance Group, Inc. with Resolute Holdings, Inc.
In 1988, Co. purchased all of the common stock of Sequa PLC. for $24,400,000.
Also, in 1988, Co. sold Woolley Tool & Manufacturing Division in the engineered services business.
In 1989, sold its land transportation division with the sale of its Transit Management Services Division, Muncie Reclamation & Supply Division, Hausman Bus Sales & Parts Division and National Seating Co.
Also in 1989, sold its Teleproducts Division.
In 1989, Co.'s wholly-owned subsidiary, Chromally Gas Turbine Corp., purchased the business and assets of Aero Cast, Inc., Aerodyne Investments Castings , Inc., Caval Tool & Machine Co., Inc., DRB Industries, Inc., H7H Parts Co., Inc. and The Stalker Corp. for $70,000,000.
On Dec. 12, 1989, sold a majority interest in Atlantic Research Corp. to Chromalloy Gas Turbine Corp.
In March 1990, sold its Tempest Products unit for a total of approx. $3,132,000.
In March 1992, completed tha sale of Sabine Towing and Transporatation Co. for approx. $36,000,000, net in cash.

Joint Venture: In Aug. 1991, Atlantic Research Corp. (ARC), a unit of Co., and Industrial Materials Technology (IMT) formed a joint venture that will develop and manufacture titanium matrix composite (TMC) materials and parts for U.S. customers. The joint venture, operating under the name Atlantic-IMT, will benefit from the combination of resources, technology, complementary skills and experience in ARC and IMT. By combining the composite materials and processing expertise of ARC with the production facilities of Hot Isostatic Pressing (HIP) experience of IMT, Atlantic-IMT can offer customers a fully integrated capability for fabricating TMC components.

Business: Co. is engaged in producing and selling a broad range of products and services through operating companies in six consolidated industry segments: Aerospace, Transportation, Machinery and Metal Coatings, Specialty Chemicals, Professional Services and Other Products, and Financial Services.

Property: Company leases 58,000 sq. ft. of corporate office space in New York, N.Y.; Hackensack, N.J.; and Cincinnati, Oh.
Aerospace — The Kollsman operation owns two plants in New Hampshire with aggregate floor space of 400,000 sq. ft. and leases five other facilities aggreagting 132,000 sq. ft. Also owns a 23,000 sq. ft. manufacturing ficility in Wichita, Kan. and leases 12 domestic and four foreign facility aggregating 160,000 sq. ft.
The Chromalloy Gas Turbine Corp. operates 60 plants in twelve states and seven foreign countries with aggregete floor space of approx 3,600,000 sq. ft.
Rocket propulsion operations lease two principal manufacturing facilities, a 421 acre site in Gainsville, Va. and a 1,014 acre site in Camden, Ark. Adjacent to the Gainesville leased facility, Co. owns 12 additional acres and an 89,000 sq. ft. office and manufacuturing complex. Also leases 124,000 sq. ft of administrative and manufacturing space in Ala., Calif. and Va. Co. also owns 2,430 acres of land in Orange County, Va., which has been developed for use in the propellant business. The liquid propulsion division leases a 96,000 sq. ft. facility in Niagara, N.Y.
Machinery and Metal Coatings — The can-forming and decorating operations own two plants in the United States with aggregating floor space of 228,000 sq. ft and leases one small warehouse facility of approx. 5,000 sq. ft. In Europe, owns a plant with aggregate floor space of approx. 57,000 sq. ft. The Precoat Metals operations owns five manufacturing facilities in Mo., Ill. and Tex. with a total of 500,000 sq. ft of space. An additional 75,000 sq. ft is leased in Ill.
Specialty Chemicals — The Specialty Chemicals segment owns one plant situated on 78 acres in Chester, South Carolina aggregatin 147,000 sq. ft. of space. In addition, the segment owns two plants in the United Kingdom with aggregate floor space of 190,000 sq. ft. on approx. 37 acres of land and leases a 9,100 sq. ft. of warehouse and office space in six separate locations in France.
Transportation — Sequa's barge business operates in excess of 900 barges; 22 tow boats and 9 tugs. Also utilizes approx. 274,000 sq. ft. of Terminal and Maintenance facilities on approx. 300 acres of land. The barge group leases approx. 37,000 sq. ft. of office space in St. Louis, Mississippi nas New York.
Sabine owns six United States flag deep-sea tankers and operates 15 tow boats and 38 tank barges. Also owns nine harbor tugs, and approx. 82,00 sq. ft. of space in Port Arthue, Tex.
Professional Services and Other Products — The Professional Services Group operates in 61 locations with a total of approx. 676,000 sq. ft. of space.
The engineered services businesses operate two manufacturing facilities in La. and W. Va. In addition, they also lease seven and own two sales, administrative and warehouse facilities totaling approx. 49,000 sq. ft.
The automotive products subsidiary, Casco owns a 268,000 sq. ft. plant in Conn.
Financial Services — Sequa Capital Corp. utilizes 15,000 sq. ft. of leased office space in New York City and two satellite offices totalling 1,300 sq. ft. in Englewood Cliffs, N.J. The Centor Co., a wholly-owned subsidiary, owns and operates the Chromalloy Plaza Building in Clayton, Mo.

Subsidiaries

Atlantic Research Corporation
Chromallory Gas Turbine Corporation
Casco Products Corp.
Kollsman Manufacturing Co.
The Valley Line Company
Sequa Chemicals, Inc.
Warwick International Ltd.
Sequa Engineered Services
Sequa Capital Corporation
SunRise Insurance Limited

Officers

N.E. Alexander, Chmn. & C.E.O.
S.Z. Krinsly, Sr. Exec. V.P. & Gen. Counsel
J.J. Quicke, Exec. Vice-Pres.
G.S. Gutterman, Exec. V.P., Fin. & Admin.
H. Brill-Edwards, Senior Vice-Pres.
D.M. Libutti, Senior Vice-Pres.
M. Weinstein, Senior Vice-Pres.
R.H. Wright, Senior Vice-Pres.
W.E. Morris, Senior Vice-Pres.
A.L. Savoca, Senior Vice-Pres.
K.A. Drucker, V.P. & Treas.
W.P. Ksiazek, V.P. & Contr.
I.A. Schreger, V.P. & Corp. Sec.

Vice-Presidents

J.A. Cabrey	L.G. Kyriakou
S.W. Rosen	D.S. Bunin
J.C. Allwarden	R.P. Schneider

Directors

N.E. Alexander	A. Dworman
A.L. Fergenson	R. Frankel
D.S. Gottesman	S.Z. Krinsly
D.D. Kummerfeld	R.S. LeFrak
F.R. Sullivan	G. Tsai, Jr.

Auditors: Arthur Andersen & Co.

Shareholder Relations: Linda G. Kyriakou Vice-Pres. Corp. Comm. **Tel.:** (212)986-5500.

Annual Meeting: In May.

No. of Employees: Dec. 31, 1991, 15,700.

No. of Stockholders: Dec. 31, 1991, 6,300.

Address: 200 Park Avenue, New York, NY 10166. **Tel.:** (212)986-5500. **Fax:** (212)370-1969.

Consolidated Income Account, years ended Dec. 31 ($000):

	1991	[1]1990
Net sales	....	
Sales & revenues ...	1,878,787	1,957,831
Cost of sales & revs .	1,497,204	[illegible]
Selling, gen & admin	263,893	260,741
Total costs & exps . .	1,761,097	[illegible]
Operating income . .	117,690	[illegible]
Interest expense . . .	82,802	[illegible]
Interest income	6,293	[illegible]
Inc on sale of min int	....	[illegible]
Other, net	dr7,162	[illegible]

her inc (exp) .	dr83,671	dr73,097	dr77,428
f income taxes	34,019	108,142	75,128
or inc taxes ..	19,000	48,775	40,428
m cont opers .	15,019	59,367	34,700
discont opers .	dr21,609	dr26,702	21,171
cor	d6,590	32,665	55,871
us earn	488,456	464,710	418,317
ivs s A ..	3,678	3,642	3,793
ivs-Class B ..	1,776	1,748	1,844
ivs-pfd	3,161	3,529	3,841
ed earnings ..	473,251	488,456	464,710
om sh:			
ary:			
nt oper	$1.24	$5.81	$3.02
scont opers ..	d$2.26	d$2.78	$2.08
t income	d$1.02	$3.03	$5.10
on shares (000):			
-end	10,915	10,915	......
age	9,534	9,618	10,213

stated to reflect Valley Line & Sabine Tow- Transportation opers, Engineered Services & en's Apparel units as discont opers

solidated Balance Sheet, as of Dec. 31 :

ts:	1991	[1]1990
cash equivalents .	12,910	46,576
erm invests	3,040	3,414
ables, net	235,370	229,422
d receivables, net .	141,253	159,453
ories	345,621	316,560
urrent assets	40,338	47,349
tal current assets .	778,532	802,774
ets of discont		
s	245,383	182,908
rrent receivables ..	11,850	12,024
nvestments	7,766	33,920
tal investments ...	264,999	228,852
lant & equip, net ..	665,792	560,819
of cost over assets		
s acq	373,012	381,417
d charges & other .	25,922	21,166
tal other assets ...	398,934	402,583
tal assets	2,108,257	1,995,028
lities:		
aturs of lg tm debt	23,797	16,109
ts payable	141,889	146,623
n income	24,716	19,803
d expenses	212,740	199,467
tal current liabil ..	403,142	382,002
lebt, net of curr		
rs	825,459	677,213
d taxes on income .	48,635	79,149
iab	134,433	140,288
rs r liabil ...	183,068	219,437
ck-$ umul conv .	[2][3]797	[2][3]797
common stock ...	[4][5]7,042	[4][5]7,042
common stock ...	[6][7]3,873	[6][7]3,873
excess of par value	299,451	299,971
translation adj ...	cr19,205	cr24,288
d earnings	473,251	488,456
tal	803,619	824,427
st of treasury stk .	[8][9]dr107,031	[8][9]dr108,051
shholders' equity .	696,588	716,376
tal liabil & stk eq .	2,108,257	1,995,028
rent assets	375,390	420,772
alue	$29.57	$30.61

stated to reflect adoption of SFAS No. 94 value: $1.00; Auth shs: 1,825,000; Issued: 1991 00 ; 1990 797,000 [3]Involuntary liquidation 1991 $26,359,000 ; 1990 $26,359,000 [4]No par Auth shs: 1991 25,000,000 ; 1990 25,000,000 d shs: 1991 7,042,000 ; 1990 7,042,000 [6]No lue; Auth shs: 1991 5,000,000 ; 1990 5,000,000 d shs: 1991 3,873,000 ; 1990 3,873,000 [8]Class 1991 984,044 ; 1990 987,473 [9]Class B shs: 6,283 ; 1990 401,257

Term Debt: 1. Sequa Corp. 10½% senior inated notes, due 1998:

Rating — Ba3

. — $250,000,000; outstg., Dec. 31, 1991, 0,000.
- May 1, 1998.
REST — M&N 1.
BLE — As a whole or in part beginning 1993 at 104.67.
R DETAILS — Not reported.
D — On New York Stock Exchange.
RED — $250,000,000 on Apr. 27, 1988 thru Burnham Lambert Inc. & Bear Sterns & and associates.
RANGE —

	1991	1990	1989	1988
....	101	103	100½	101
....	96⅜	100	100½	98

equa Corp 9⅝% Notes, due 1999:

Rating — Ba1

— $150,000,000; outstg. Dec. 31, 1991, 0,000.
D — Oct. 15, 1989. DUE — Oct. 15, 1999.
RES A&O 15 to holders registered M 31

TEE The First National Bank of Chicago.
MINATION — Fully registered, $1,000 and multiples thereof. Transferable and geable without service charge.
BLE — Not callable prior to maturity.
RITY — Not secured. Rank prior to all sub- ed indebtedness of Co. and pari passu with er unsecured and unsubordinated indebted- Co. Co. or any restricted subsidiary will ate, incur, issue or assume any indebtedness by any lien on any physical property sidiary, and Co. will not itself, and will not permit any subsidiary to, create, incur, issue or assume any indebtedness secured by any lien on any shares of stock or indebtedness of any wholly-owned domestic subsidiary which owns any physical property, without equally and ratably securing the indenture securities, unless after giving effect thereto the aggregate principal amount of such secured indebtedness then outstanding plus the attributable debt of Co. and its wholly-owned domestic subsidiaries in respect of sale and leaseback transactions involving physical property entered into after the date of the first issuance of indenture securities, other than such transactions as are permitted as described in clause (b) under Sale and Leaseback would not exceed 5% of consolidated net tangible assets.
SALE AND LEASEBACK — So long as any indenture securities are outstanding under the indenture, Co. or, any wholly-owned domestic subsidiary will not enter into any sale and leaseback transaction after the date of the first issuance of indenture securities covering any principal property, which was or is owned or leased by Co. or a subsidiary and which has been or is to be sold or transferred more than 120 days after the completion of construction and commencement of full operation thereof, unless (a) the attributable debt of Co. and its wholly-owned domestic subsidiaries in respect thereto and all other sale and leaseback transactions entered into after the date of the first issuance of indenture securities, plus the aggregate principal amount of indebtedness secured by liens on physical properties then outstanding without equally and ratably securing the indenture securities, would not exceed 5% of consolidated net tangible assets, or (b) an amount equal to the greater of the net proceeds of such sale or transfer or the fair value of such physical property is applied within 120 days to the voluntary retirement of the indenture securities or other indebtedness of Co. or indebtedness of a wholly-owned domestic subsidiary, for money borrowed, maturing more than 12 months after such application.
INDENTURE MODIFICATION — Indenture may be modified, except as provided, with consent of 66⅔% of notes outstg.
RIGHTS ON DEFAULT — Trustee, or 25% of notes outstg., may declare principal due and payable (30 day's grace for payment of interest).
PURPOSE — Proceeds will be added to the general funds of Co. and may be used to repay outstanding debt and to meet capital expenditure and working capital requirements.
OFFERED — ($150,000,000) at 99.75 plus accrued interest (proceeds to Co., 99.10) on Oct. 19, 1989 thru Merrill Lynch Capital Markets; Bear, Stearns & Co. Inc.; J.P. Morgan Securities Inc.; Shearson Lehman Hutton Inc. and associates.

3. Sequa Corp. med.-term notes, ser. A, 9 mos. to 40 yrs.:

Rating — Ba1

AUTH — $100,000,000; outstg. Dec. 31, 1991, $100,000,000.
DATED — 1991. DUE — 9 mos. to 40 yrs.
INTEREST — A&O 15 to holders registered M 31 & S 30. Each note will bear interest at either (a) a fixed rate or (b) a floating rate determined by reference to an interest rate base, which may be adjusted by a spread or spread multiplier. Any floating rate note may also have either or both of the following: (I) a maximum numerical interest rate limitation, or ceiling, on the rate of interest that may accrue during any interest period and (II) a minimum numerical interest rate limitation, or floor, on the rate of interest that may accrue during any interest period. The applicable pricing supplement will designate a fixed rate per annum for each fixed rate note or one of the following bate rates for each floating rate note: the CD rate, the Commercial Paper Rate, the Federal Funds Rate, LIBOR, the Treasury Rate, the Prime Rate or another base rate designated by Co.
TRUSTEE — First National Bank of Chicago.
DENOMINATION — Each note will initially be represented by a globe note registered in the name of The Depository Trust Co., the Depository nominee unless the applicable pricing supplement specifies that notes will be issued in definitive registered form. An interest in a global note will be shown on, and transfers thereof will be effected only through records maintained by the depository and its participants. A beneficial interest in a Global note will be exchanged for notes in definitive form only under the limited circumstances described herein. Fully registered $100,000 or any amount in excess thereof which is an integral multiple of $1,000.
CALLABLE — If provided in the applicable pricing supplement, the notes may be redeemable at the option of Co. thereof prior to the stated maturity at a price specified in such pricing supplement.
REPAYMENT AT THE OPTION OF HOLDER — If provided in the applicable pricing supplement, the notes may be repayable at the option of the holder thereof prior to the stated maturity at a price specified in such pricing supplement.
SECURITY — Not secured. Ranks equally with all other unsecured and unsubordinated indebtedness of Co. (I) Co. nor any wholly-owned domestic subsidiary will not create, incur, issue or assume any indebtedness secured by any lien on any pphysical property owned by Co. or any wholly-owned domestic subsidiary, and (II) Co. will not itself, and will not permit any subsidiary to, create, by any lien on any shares of stock or indebtedness of any wholly-owned domestic subsidiary which owns any physical property, without, in any event described in the foregoing clause (I) or (II), equally and ratably securing the indenture securities, unless after giving effect therto (x) the aggregate principal amount of such secured indebtedness then outstanding plus (y) the attributable debt of Co. and its wholly-owned domestic subsidiaries in respect of sale and leaseback transactions described below involving physical properties entered into after the date of the first issuance of indenture securities, other liens existing on ay property of or shares of stock or indebtedness of any corporation at the time it becomes a wholly-owned domestic subsidiary, or arising thereafter pursuant to contractual commitments entered into prior to such corporation's becoming a wholly-owned domestic subsidiary and otherwise than in connection with borrowing of money arranged after such corporation became a wholly-owned domestic subsidiary, would not exceed 5% of consolidated net tangible assets.
SALE AND LEASEBACK — Co. or any wholly-owned subsidiary will not enter into any sale and leasebacktransaction after the date of the first issuance of indenture securities covering any physical property, which was or is owned or leased by Co. or a wholly-owned subsidiary and which has been or is to be sold or transferred more than 120 days after the completion of construction and commencement of full operaion thereof, unless (a) the attributable debt of Co. and its wholly-owned domestic subsidiaries in respect thereto and all other sale and lease back transactions entered into after the date of the first issuance of indenture securities, plus the aggregate principal amount of indebtedness secured by liens on physical properties then outstanding without equally and ratably securing the indenture securities, would not exceed 5% of consolidated net tangible assets, or (b) and amount equal to the greater of the net proceeds of such sale or transfer or the fair value of such physical property is applied within 120 days to the voluntary retirement of the indenture securities or other indebtedness of Co. or indebtedn ss of a wholly-owned domestic subsidiary for money borrowed, maturing more than 12 months after such application.
INDENTURE MODIFICATION — Indenture may be modified, except as provided, with consent of 66⅔% of notes outstg.
RIGHTS ON DEFAULT — Trustee, or 25% of notes outstg., may declare principal due and payable (30 day's grace for payment of interest).
PURPOSE — Proceeds will be added to the general funds of Co. and may be used to repay outstanding debt and to meet capital expenditure and working capital requirements.
OFFERED — ($100,000,000) at 100 plus accrued interest (proceeds to Co., 99.875-99.000) on Apr. 22, 1991 thru Bear, Stearns & Co. Inc., Merrill and associates.

4. Other Long-Term Debt: Outstg. Dec. 31, 1991, $349,256,000 comprised of:

(1) $50,000,000 10.3% private placement, due 1994.
(2) $3,000,000 5.3% uncommitted lines of credit.
(3) $200,000,000 6.0% revolving term loan.
(4) $61,066,000 10.5% average interest rates mortgage notes and equipment obligations payable in varying amounts thru 2013.
(5) $35,190,000 8.6% other long-term debt payable in varying amounts through 2003.

In Sept. 1989, Co. filed a shelf registration statement with the Securities and Exchange Commission for the issuance of up to $250,000,000 aggregate principal amount of senior unsecured debt securities. In Oct. 1989, Co. sold, as part of the shelf registration, $150,000,000 of 9.6% senior unsecured notes due 1999.

In April 1991, Co. filed a prospectus supplement with the Securities and Exchange Commission for $100,000,000 of senior unsecured medium-term debt securities which were available for issuance under the previously filed shelf registration. In May 1991, Co. sold $100,000,000 of the notes pursuant to the prospectus supplement with maturities ranging from five years to ten years and bearing fixed interest rates ranging from 9.1% to 10.1%.

In Nov. 1991, Co. entered into a new $275,000,000 revolving credit agreement with a group of banks that extend through Jan. 1994. The rate of interest payable under the loan agreement is at Co.'s option, a function of the prime rate, the Eurodollar rate or the domestic certificate of deposit rate. The agreement requires the Co. to pay a facility fee at a annual rate of 5% of the maximum amount available under the credit line. At Dec. 31, 1991, $200,000,000 was outstanding under this facility.

Co. has the intent and the ability, supported by the terms of the revolving credit agreement to maintain on a long term basis the principal amount outstanding under its short-term financing facilities. Accordingly, amounts outstanding under these facilities have been classified as long-term debt.

Co. has a policy aimed at managing interest rate risk associated with its current and future anticipated borrowings, accordingly, Co. has entered into various interest rate swaps, options, caps and similiar arrangements. Any fees paid or received in connection with these arrangements are deferred and amortized as yield adjustments over appropriate future periods. As of Dec. 31, 1991, Co. had

:fectively converts $50,000,000 of variable-rowings under short-term financing facili-xed-rate borrowings with an average inter- of 8.7%, and interest rate swaps expiring 1998 which effectively convert ,00 ixed rate medium term notes into -rat rowings.

ompany's loan agreements, excluding those ig to Sequa Capital Corp., contain cove-hich restrict, among other matters, the abil-he Company to borrow, invest in Sequa Corp., pay dividends and repurchase com-ck. The Company must also maintain cer-ios regarding interest coverage, leverage worth, among other restrictions. Under the strictive covenants at Dec. 31, 1991, consoli-tained earnings of approx. $22,831,000 were cted as to payment of cash dividends and ise of Co.'s common stock. In addition, Co. t to a covenant related to net worth. Cer-he Co.'s other subsidiaries are also subject nants which restrict loans, advances and

is guaranteed $50,000,000 of Sequa Capital nrestricted debt and $22,500,000 of its sub-d debt. Sequa Capital's debt is included in ice sheet caption.

il Stock: 1. Sequa Corp. $5 cumulative ible preferred; par $1:
— 1,825,000 shares; outstg., Dec. 31, 1991, shares; in treas., 163,489 shs.; par $1.
END RIGHTS — Entitled to cumulative ls of $5 per sh. per annum.
END RECORD — Initial dividend of $1.25 o. 1, 1987; regular quarterly dividends paid er.
BLE — At option of Co. at $100 per sh.
RTIBLE — Each sh. in convertible into s. of Class A common.
) — Issued in connection with merger of Chromalloy American Corp.
) — On NYSE (Symbol: SQA Pr)

RANGE —	1991	1990	1989	1988	1987
....	91½	105	106	97	115½
....	70½	97	86	73	64

qua Corp. Class A common; no par:
— 25,000,000 shares; outstanding, Dec. 31, ,057,956 shares; in treas., 984,044 shs.; l for options, conversion of preferred and common stock, 4,513,798 shares; no par.
END RIGHTS — For a period of five ommencing Jan. 1, 1987, annual dividends, on Class A common will be at least $0.10 r s' n Class B common dividends.
EN

On Old Common Stock

no par shares:
.....$1.875 1930-31........$2.50 1932............$0.25
.......0.15 1934..............1.00 1935..............2.00
.......5.00 1937..............0.60

$1 par shares:
........0.90 1938..............0.50 1939..............0.80
........0.60 1941..............0.65 1942..............0.30
........0.40 1945..............0.45 1946-47..........0.60
........0.50 1949..............0.40 1950..............0.90
........0.75 1955..............0.85 1956..............0.90
........0.80 1958..............0.70 1959-61..........0.60
........0.40

$1 par shs. after 3-for-2 split:
........0.45 1978..............0.60 1979..............0.45

$1 par shs. after 4-for-3 split:
........0.15 1980..............0.60 1981..............0.18

$1 par shs. after 3-for-2 split:
........0.36 1982-86..........0.48

On Class A common

........0.60 [1]1992..........0.25

July 1.
END RESTRICTIONS — See long term ove.
IG RIGHTS — Has one vote per share.
MPTIVE RIGHTS — None.
SFER AGENT & REGISTRAR — Conti-Stock Transfer & Trust Co., NYC.
D — On NYSE (Symbol: SQA A).

RANGE —	1991	1990	1989	1988	1987
....	66⅛	77	77½	69¾	88⅜
....	38¾	50	56⅝	49⅝	40¾

qua Corp. Class B common; no par:
. — 5,000,000 shares; outstanding Dec. 31, ,476,717 shares; treas., 396,283 shs.; reserved ons 750 shares; no par.
IG RIGHTS — Has ten votes per share.
ERTIBLE — Convertible into Class A com-k. on a sh.-for-sh. basis.
ENDS —
........$0.50
D — On NYSE (Symbol: SQA B).

RANGE —	1991	1990	1989	1988	1987
....	73½	85½	80½	72	91½
....	47	64½	61	51½	42¾

ipit ion: In Dec. 1986, stockholders ed posal to authorize 25,000,000 shares s A common and 5,000,000 shares of Class B on and each outstanding common share was ted into a one-half share of Class A and lf share of Class B common.

ICE MERCHANDISE CO., INC.

ory: Inc. in Tenn. in Jan. 1970 to succeed to and showroom merchandising business d in Sept. 1960.

July 30, 1971, acquired, in pooling of inter-

In Apr. 1974, acquired 7 catalog showrooms operations of Malone & Hyde, Inc. for about $10,000,000 in cash and notes.

In July acquired 2 Sam Solomon Co. stores in Charlotte, N.C., for undisclosed terms.

On Aug. 10, 1982, acquired Sam Solomon Company in a stock transaction valued at $10,233,000.

On May 3, 1983, acquired The Computer Shoppe, Inc. for 100,000 shs. of Co.'s com. stk.

In July 1983, acquired Home Owners Warehouse, Inc. for 663,000 Co. com. shs.

On May 8, 1985, Co. acquired H.J. Wilson Co., Inc. through a tender offer for all of the outstanding shares of its common stock.

On May 24, 1985, Co. acquired Ellman's, Inc. through a tender offer for all of its outstanding common shares.

As of Jan. 3, 1987 sold for cash McHOW subsidiary and all related inventory.

Business: Co. is engaged, through its 359 catalog stores, in the sale of a broad line of jewelry, diamonds, housewares, small appliances, giftware, silverware, cameras, luggage, radios, televisions, and other home electronic toys, sporting goods. Computerware, home improvement goods, plant and garden supplies, fine jewelry and giftware, and lingerie are offered through the companies subsidiaries.

Property: Co. stores are located as follows:

N.Y. (21)	Tenn. (18)
Tex. (36)	Nev. (2)
Ala. (8)	Ariz. (4)
Ark. (3)	Cal. (17)
Colo. (8)	Conn. (5)
Del. (2)	Fla. (42)
Ga. (16)	Ill. (24)
Ind. (16)	Ia. (1)
Kans. (4)	Ky. (7)
La. (14)	Me. (6)
Md. (4)	Mass. (10)
Mich. (11)	Miss. (6)
Mo. (7)	Neb. (2)
N.H. (5)	N.J. (4)
N.M. (2)	N.C. (7)
Oh. (14)	Okl. (8)
Penn. (10)	S.C. (7)
Vt. (1)	Va. (7)

Subsidiaries

The Computer Shoppe, Inc.
Zinin's

Officers

R. Zimmerman, Chmn., Pres. & C.E.O.
S.P. Braud, V.P., Treas. & C.F.O.
G.A. Bodzy, V.P., Sec. & Gen. Coun.

Directors

R.P. Crane, Jr.	R.M. Holt
C.V. Moore	J.E. Poole
H. Roitenberg	R. Zimmerman

Auditors: Deloitte & Touche.

Annual Meeting: In April.

No. of Stockholders: Dec. 28, 1991, 6,192.

Address: 7100 Service Merchandise Drive, Brentwood, TN 37027. **Tel.:** (615)660-6000.

Mailing: P.O. Box 24600, Nashville, TN 37202-4600.

Consolidated Income Account, years ended ($000):

	12/28/91	12/29/90	12/30/89
Net sales	3,399,752	3,435,037	3,307,110
Cost of merchand sold & buy & occup exps	2,521,967	2,574,540	2,487,489
Gross margin......	877,785	860,497	819,621
Sell, gen & admin exp	592,831	585,985	561,820
Deprec & amort....	56,154	54,687	54,217
Other income......	4,795	4,557	9,229
Earn bef int & taxes	233,595	224,382	212,813
Interest exp-debt ...	96,278	113,221	88,663
Int exp-capized lses .	12,596	13,238	13,394
Earn bef tax on inc .	124,721	97,923	110,756
Income taxes	48,641	37,211	38,765
Net earnings	76,080	60,712	71,991
Prev retained earns .	d8,829	d69,541	290,558
Cash dividends	......	......	432,090
Retained earns.....	67,251	d8,829	d69,541
Earn com sh	$1.14	[1]$0.92	$1.11
Common shares (000):			
Year-end	65,531	[1]65,290	65,523
Average	66,984	[1]65,685	64,958

[1]Adj for 5-for-4 stk split, 05/20/91

Consolidated Balance Sheet, as of ($000):

Assets:	12/28/91	12/29/90
Cash & cash equivalents .	110,716	208,162
Accounts receivable, net..	[1]45,955	[1]55,494
Inventories...........	793,311	747,697
Prepaid exps..........	15,419	28,914
Total current assets .	965,401	1,040,267
Owned assets, net.......	504,613	496,519
Capitalized leases, net ...	73,471	77,144
Other assets & defer chrgs	29,178	39,272
Total assets	1,572,663	1,653,202
Liabilities:		
Accounts payable	374,112	410,185
Accrued exps	162,726	177,180
State & local sales tax ...	48,936	44,851
Income taxes	54,394	48,805
Curr maturs on capized lse oblig............	8,576	7,306
Total current liabil ..	743,788	787,345
Long-term debt	619,266	726,881
Capized lease obligations .	95,430	99,721
Deferred tax on income ..	9,864	13,881
Total liabilities	1,468,348	1,627,828
Common stock.........	[2]32,766	[2]26,116
Additional paid-in cap ...	8,572	15,312
Deferred compensation ..	dr4,274	dr7,225
Retained earn (deficit)...	67,251	dr8,829
Tot shholders' eq (def) .	104,315	25,374
Total liabil & stk eq .	1,572,663	1,653,202
Net current assets	221,613	252,922
Book value	$1.59	$0.39

[1]Allow for doubtful accounts: 12/28/91 $540,000 ; 12/29/90 $604,000 [2]Par value: $.50; Auth shs 100,000,000

Long Term Debt: 1. Service Merchandise Co., Inc. 11¾% senior subord. notes, due 1996:

Rating — Ba3

AUTH — $300,000,000; outstg. Dec. 28, 1991, $297,875,000.
DATED — Sept. 30, 1986. DUE — Dec. 15, 1996.
INTEREST — J&D 15 to holders registered J&D 1.
TRUSTEE — BankAmerica Trust Co. of New York.
DENOMINATION — Fully registered, $1,000 and integral multiples thereof. Transferable and exchangeable without service charge.
CALLABLE — As a whole or in part from time to time on or after Dec. 15, 1989 at the option of Co. at least 30 not more than 60 days' notice to each Dec. 14, as follows:
1991..........105.04 1992..........103.36 1993..........101.68
and thereafter at 100 plus accrued interest. Not callable prior to Dec. 15, 1991 as a part of, or in anticipation of, any refunding by the application, directly or indirectly, of the proceeds of indebtedness for money borrowed having an interest cost of less than 11¾% per annum.
SECURITY — Not secured. Subordinate to all senior indebtedness.
INDENTURE MODIFICATION — Indenture may be modified, except as provided, with consent of a majority of notes outstg.
RIGHTS ON DEFAULT — Trustee, or 25% of notes outstg., may declare principal due and payable (30 day's grace for payment of interest).
LISTED — on American Stock Exchange.
PURPOSE — Proceeds will be used to reduce short-term indebtedness to banks and to provide working capital.
OFFERED — ($300,000,000) at 98.509 plus accrued interest (proceeds to Co., 95.554) on Sept. 25, 1986 thru Merrill Lynch Capital Markets and associates.

PRICE RANGE —	1991	1990	1989	1988	1987
High	102	94	96	97⅛	99¼
Low	72	67½	86½	75	69

2. Other Long Term Debt: Outstg. Dec. 28, 1991, $416,435,000 comprising:

(1) $219,654,000 secured term loan.

(2) $64,624,000 11.2% mortgage notes payable due 2022.

(3) $90,000,000 6.5% first mortgage secured notes payable in three equal payments from 1998 to 2000.

(4) $41,511,000 5.4% industrial revenue bonds with fixed and variable interest rates, due thru 2024.

(5) $646,000 10.7% other debt, due thru 2002.

In July 1989, Co. entered into a $975,000,000 credit agreement which provided for (a) $360,000,000 in a secured term loan, (b) $140,000,000 in real estate bridge loan, and (c) $475,000,000 in a revolving credit.

Co. has made scheduled payments of $150,300,000 and prepayments of $35,000,000 on the secured term laon, thereby reducing the original $360,000,000 indebtedness to $219,700,000. The secured term loan bears interest at Co.'s option at a per annum rate based on (a) LIBOR rate plus 2¾%, or (b) the lender's prime rate plus 1¼%. Repayment terms call for the amortization of the secured term loan in variable amounts through 1994.

In June 1990, Co. repaid $87,200,000 of the real estate bridge loan by issuing $90,000,000 first mortgage secured notes due in June 2000. The remaining $52,800,000 of the real estate bridge loan converted in July 1990 to a term loan and was subsequently prepaid by Co. in March 1991. The three first mortgage notes bear interest at the three month LIBOR rate plus 0.95% and fully amortize in three equal payments between 1998 and 2000.

The aforementioned credit agreement contains numerous restrictive financial and other covenants, including, but not limited to, (a) restrictions on the incurrence of indebtedness, leases, liens and contingent obligations, (b) restrictions on mergers, acquisitions, sales of assets, investments and transactions with affiliates, (c) a prohibition on distributions and dividends by Co., (d) restrictions on capital expenditures, and (e) financial tests including among others, those measuring Co.'s consolidated current ratio, leverage, interest coverage ratio and net worth. At Dec. 28, 1991, Co. was in compliance with these loan covenants.

Capital Lease Obligations: Outstg. Dec. 28,

Capital Stoc mon; par $0.50:
AUTH. — 100,(
65,531,000 shs.;
par $0.50.
$1 par shs. s
on Apr. 29, 198
4 on May 17, 1
VOTING RIG
non-cumulative
PREEMPTIVI
Harry, Ray
56.26% of outs
DIVIDENDS
1973-75....... [1] .
On $1 par
1977.........$0.07
On $1 par
1978...........0.07
1981...........0.10
On $1 par
1983..............0.(
On $1 par
1989.............10.(
[1] Also paid
Mar., 1975, 50
[2] Plus rights
OFFERED —
18, 1971 thru
Proceeds to p
capital.
(210,000 shs
thru Wheat,
Proceeds of 1
rate purposes.
(850,000 shs
thru Smith B
Wheat, First
Humphrey C
600,000 shs. f
loan and balan
(1,000,000 s
thru Smith Ba
Bradford & C
finance showr
tal and other
(1,000,000 s
thru Merrill
Group, J.C.
ceeds to finan
vide working
TRANSFER
Bank, Chicag
LISTED — O
PRICE RANG
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Low ......
[1] Bid prices
[2] Adj. for 5

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will expire in

SERVICEM

History: O
on Dec. 30,
Industries, In
In July 198
$5,000,000
$20,000,000.
In October
acquired Am
share or ap
related costs.

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services; the
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and the Ame
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the common
The two bu
nership by
the partners
to be receiv
valued in
$180,000,000

Capital Stock: Service Merchandise Co. common; par $0.50:
AUTH. — 100,000,000 shs.; outstg., Dec. 29, 1991, 65,531,000 shs.; reserved for options, 2,241,000 shs.; par $0.50.
$1 par shs. split 3-for-2 on May 10, 1978; 2-for-1 on Apr. 29, 1983; 3-for-2 on Mar. 2, 1989 and 5-for-4 on May 17, 1991.
VOTING RIGHTS — Has one vote per sh., with non-cumulative voting for directors.
PREEMPTIVE RIGHTS — None.
Harry, Raymond, and Mary Zimmerman own 56.26% of outstg. stk.
DIVIDENDS PAID (since 1972 as follows):
1973-75 ...... [1] .. 1976 .... Nil 1977 .... [1] ..
On $1 par shs. after 100% stk. div.:
1977 .... $0.07½ 1978 .... $0.02½
On $1 par shs. after 3-for-2 split:
1978 .... 0.07½ 1979 .... 0.13 1980 .... $0.14
1981 .... 0.10½ 1982 .... 0.17½ 1983 .... 0.0[illegible]
On $1 par shs. after 2-for-1 split:
1983 .... 0.06 [2] 1984-88 ...... 0.08
On $1 par shs. after 3-for-2 split:
1989 .... 10.03 1990-91 .... Nil
[1] Also paid in stock: 1973, 50%; 1974, 20%; Mar., 1975, 50%; Dec., 1975, 50%; 1977, 100%.
[2] Plus rights distribution in 1988, see below.
OFFERED — (160,000 shs.) at $14 a sh. on Nov. 18, 1971 thru Wheat & Co., Inc. and associates. Proceeds to pay expansion debt and for working capital.
(210,000 shs.) at $39.50 a sh. on May 25, 1972 thru Wheat, First Securities, Inc. and associates. Proceeds of 125,000 shs. for Co. account for corporate purposes.
(850,000 shs.) at $20.50 a sh. on Mar. 18, 1976 thru Smith Barney, Harris Upham & Co., Inc., Wheat, First Securities, Inc. and Robinson-Humphrey Co., Inc. and associates. Proceeds of 600,000 shs. for Co. account to repay a bank term loan and balance for showroom expansion.
(1,000,000 shs.) at $16.50 per sh. on June 14, 1978 thru Smith Barney, Harris Upham & Co. Inc., J.C. Bradford & Co. and associates. Proceeds used to finance showroom expansion and for working capital and other general purposes.
(1,000,000 shs.) at $22.50 per sh. on Oct. 20, 198[illegible] thru Merrill Lynch White Weld Capital Markets Group, J.C. Bradford & Co. and associates. Proceeds to finance showroom expansion and to provide working capital.
TRANSFER AGENT — Harris Trust and Savings Bank, Chicago, Ill.
LISTED — On NYSE (Symbol: SME).

PRICE RANGE —	[2] 1991	1990	1989	1988	[1] 19[illegible]
High	13½	9⅞	15⅛	18⅛	9[illegible]
Low	4	3¾	7⅝	3½	3[illegible]

[1] Bid prices.
[2] Adj. for 5-for-4 split.

Preferred Stock Purchase Rights: In Mar. 1988, Co.'s board of directors announced a distribution of one junior pfd. share purchase right for each outstg. share of Co. com. stock.
Each right will entitle the shareholder, under alternative circumstances, to buy either securities of Co. or of the acquiring company at an exercise price that will be half of the market value of such securities at the time.
The rights can be exercised only if a person or group acquires 20% or more of Co.'s outstg. com. stock or launches a tender or exchange offer that would result in ownership of 30% or more of Co.'s outstgjunior pfd. stock. At any time prior to a person acquiring 20% or more of its com. stock and for a period of 10 days following announcement of such acquisition, the company will be entitled to redeem the rights at one cent per right. The rights will expire in 10 years.

SERVICEMASTER LIMITED PARTNERSHIP

History: Organized In Del. on Oct. 31, 1986, and on Dec. 30, 1986, the business of ServiceMaster Industries, Inc. was conveyed to the partnership.
In July 1988, Co. acquired Merry Maids, Inc. for $5,000,000 plus a contractual payment of $20,000,000.
In October, 1989, a subsidiary of the Partnership acquired American Home Shield Corp. for $9.50 a share or approximately $95.7 million, including related costs.

Joint Venture: Co. and Waste Management, Inc. have created a new partnership, to which Waste Management contributed its pest control business and the TruGreen lawn care business and to which Co. contributed its consumer services business, including its residential and commercial cleaning services; the Terminix termite and pest control businesses; the Merry Maids maid service business; and the American Home Shield home service warranty business. The name of the new partnership is ServiceMaster Consumer Services Limited Partnership.
Waste Management received common equity in the partnership representing 19.9% of the total equity of the partnership and a preferred interest which is convertible into another 2.1% of the common equity of the partnership. Co. initially holds 80.1% of the common equity and will hold 78% of the common equity if the preferred is converted. The two businesses being transferred to the partnership by Waste Management and the value of the partnership interest and convertible preferred to be received by Waste Management have been valued in the transaction at approximately $180,000,000.
The agreement provides that Co. and Waste Management will develop and participate in joint marketing efforts in both the consumer services and management services areas that will benefit both companies.

Partnership: On Dec. 30, 1986, the business of ServiceMaster Industries Inc. was conveyed to ServiceMaster Limited Partnership. The stock of ServiceMaster Industries Inc. was converted on a one-for-one basis to Partnership shares on the date of the reorganization. The consolidated financial statements include the results of ServiceMaster Industries Inc. through Dec. 30, 1986.
ServiceMaster Limited Partnership holds a 99% interest in the profits, losses and distributions of The ServiceMaster Company Limited Partnership which owns and operates the ServiceMaster business. ServiceMaster Management Corporation, owned by ServiceMaster executive, and four senior ServiceMaster executives, are the General Partners of and have a 1% interest in the income of both ServiceMaster Limited Partnership and The ServiceMaster Company Limited Partnership.
ServiceMaster Management Corporation has the right to remove and change the individual General Partners. The Board of Directors of ServiceMaster Management Corporation, a majority of which must be independent directors, hold the voting rights for the election of directors. The shareholders of ServiceMaster Limited Partnership hold the right, under certain circumstances, to remove and replace the General Partners.

1992 Reorganization: Co. annunced that at a special meeting of shareholders held Jan. 13, 1992, a Plan of Reorganization was approved. Under the terms of the Reorganization, Co. will amend its Partnership Agreement to provide for several changes, including the establishment of a corporate security that will be attractive to institutional investors and a plan for the reincorporation of the partnership by Dec. 31, 1997. It also provides for the potential of direct equity investments in Co.'s two primary business units, ServiceMaster Management Services and ServiceMaster Consumer Services.
Of the shares voted 96% were in favor of the plan. The overall affirmative vote represented 63% of the total shares outstanding.
As a result of the approval of the Reorganization Package, the partnership agreement of the Registrant has been amended, the three individual general partners of the registrant and of The ServiceMaster Company have withdrawn as general partners in each of these limited partnerships, these three individuals have become stockholders of the ServiceMaster Management Corporation, the amount of the independent capital required to be maintained by ServiceMaster Management Corporation has been reduced to $15,000,000, and ServiceMaster Corporation has been admitted as a Special General Partner of the registrant to serve as a vehicle through which institutional investors can offered opportunities to invest in ServiceMaster through the acquisition of a corporate security. If and when shares of stock are issued by ServiceMaster Corporation, such shares will directly represent the same percentage interest in the registrant as is represented by each limited partner share in the registrant.
Also as a result of the approval of the reorganization package, the merger agreement for the merger by which ServiceMaster will return to corporate form stand as approved by the shareholders of the registrant. ServiceMaster Incorporated of Delaware has been organized to become the successor entity through which the public will invest in ServiceMaster after the reincorporating merger. The limited partner shares of the registrant together with any Corporate shares which may be issued prior to the reincorporating merger will be converted on a one-for-one basis into new shares of common stock to be issued by ServiceMaster Incorporated. As a result of these conversions ServiceMaster Incorporated will be entirely owned by the persons who, collectively, owned all of the limited partner shares of the registrant and all of the Corporate shares of ServiceMaster Corporation immediately prior to the reincorporating merger.

Business: Provides management services for health care, educational, industrial and commercial facilities including the management and performance of housekeeping, laundry and linen services, grounds and landscape management, plant operations maintenance, materials management, clinical equipment maintenance and food services functions and a variety of consumer services and products to residential and commercial customers.

Property: The headquarters facility of Co., which also serves as the headquarters for the Management Services unit of the business, is located on a ten acre tract at Downers Grove, Illinois. The buildings contain approximately 118,900 sq. ft. air conditioned office space, 2,100 sq. ft. of laboratory space, and 30,000 sq. ft. of warehouse space.
Co. maintains facilities as follows:

Downers Grove, Ill.	Lancaster, Pa.
Cairo, Ill.	Memphis, Tenn.
N. Aurora, Ill.	Carroll, Iowa

Subsidiaries
The ServiceMaster Co. Limited Partnership
ServiceMaster Consumer Services Limited Partnership
ServiceMaster Consumer Services, Inc.
ServiceMaster Residential/Commercial Services Limited Partnership
ServiceMaster Residential/Commercial Services Management Corp.
The Terminix International Co. Limited Partnership
Terminix International, Inc.
The Terminix International Acquisition Co. Limited Partnership
PCLC Co. Limited Partnership
PCLC, Inc.
Merry Maids Limited Partnership
Merry Maids, Inc.
SVM Holding Corp.
American Home Shield Corp.
ServiceMaster Management Services, Inc.
CMI Group, Inc.
ServiceMaster Energy Management Co. Limited Partnership
ServiceMaster Energy Management Corp.
ServiceMaster Home Health Care Services, Inc.
ServiceMaster Child Care Services, Inc.
The ServiceMaster Acceptance Co. Limited Partnership
ServiceMaster Acceptance Corp.
AFM Beveraging, Inc.
FCIC, Inc.
ServiceMaster Employment Corp.
ServiceMaster of Canada Limited (Canada)
ServiceMaster Operations AG (Switzerland)
ServiceMaster Limited (United Kingdom)
ServiceMaster Espana Operaciones, SA (Spain)
ServiceMaster Operations Germany GmbH (West Germany)
ServiceMaster Operations S.A.R.L. (France)
We Serve America, Inc.
We Serve Japan, Inc. (Japan)
ServiceMaster Hospital Services Limited (United Kingdom)

Officers
C.W. Pollard, Chmn. & C.E.O.
R.D. Erickson, Exec. V.P. & C.O.O. — People Serv.
B.D. Oxley, Exec. Vice-Pres.
V.T. Squires, Sr. V.P. & Gen. Counsel
R.F. Keith, V.P., C.F.O. & Treas.
E.J. Mrozek, V.P. & C.A.O.

Directors

H.O. Boswell	C.H. Cantu
R.D. Erickson	H.P. Hess
G.H. Knoedler	J.D. McLennan
V.C. Nelson	C.W. Pollard
B.E. Sorensen	C.W. Stair
D.K. Wessner	K.T. Wessner
P.D. Woodward	

Auditors: Arthur Andersen & Co.

Annual Meeting: In May.

No. of Employees: Dec. 31, 1991, 21,100 (approx.).

No. of Stockholders: Dec. 31, 1991, 45,000.

Address: One ServiceMaster Way, Downers Grove, IL 60515-9969. **Tel.:** (708)964-1300. **Fax:** (708)719-6878.

Consolidated Income Account, years ended Dec. 31 ($000):

	1991	1990	1989
Operating revenue ..	2,109,941	1,825,750	1,609,267
Cost of servs rendered & prods sold	1,762,700	1,545,527	1,387,448
Sell & admin exps ..	225,814	177,941	129,035
Unusual non-cash chgs	......	6,500	......
Tot oper costs & exps	1,988,514	1,729,968	1,516,483
Operating income ..	121,427	95,782	92,784
Interest expense ...	31,153	33,745	29,413
Interest income	5,894	8,346	8,905
Realized gain on issuance of sub shs	5,841	20,000	......
Minority interest ...	[1] 14,601	[1] 4,998	[1] 3,508
Inc bef income taxes	87,408	85,385	68,768
Prov for inc taxes ..	1,426	2,332	721
Net income	85,982	83,053	68,047
Earn per unit	[2] $1.78	$1.75	$1.40
Units outstg (000):			
Year-end	[2] 48,478	48,317	48,267
Average	[2] 48,371	47,471	48,638

[1] Incl general partners' 2% interest: 1991 $1,755,000 ; 1990 $1,433,000 ; 1989 $1,380,000 [2] Adj for 3-for-2 stk split, 02/03/92

Consolidated Balance Sheet, as of Dec. 31 ($000):

Assets:	1991	[1] 1990
Cash & cash equivalents .	32,082	63,794
Mktable secur, at cost approx market	11,023	4,693
Tot cash & mktable secur	43,105	68,487
Receivables, net	115,400	114,621
Inventories	26,328	23,358
Prepaid exps & other assets	32,684	30,796
Total current assets .	217,517	237,262
Prop, plt & equip, at cost .	158,272	149,943
Less: accum depreciation .	75,213	62,528
Net prop, plant & equip . .	83,059	87,415
Contr rights, tradenames & other, net	[2] 450,637	[2] 424,047
Invest in Norell Corporation	29,138	......

June 1988 acquired the remaining 50% of titech Corporation.

Feb. 1989, Co. acquired Point of Sale Prod- Inc. for cash.

May 1989, sold its approximate 39% invest- in CheckRobot Inc. to Omni Corp. Interna- l B.V.

J 989, acquired Continental Instruments or approximately $7,200,000 in cash.

Fe 91, Co. acquired American Dynamics, ding manufacturer of closed circuit television ucts in the United States, as well as the distri- n rights for Sensormatic products in Canada the related business and assets from its for- distributor, Sensormatic of Canada.

siness: The Company is the world's largest ucer of electronic article surveillance (EAS) ms and the leading domestic supplier of d circuit television systems for use by retail- Co. also pioneered the extensive use of spe- sensitized tags that trigger an exit alarm to shoplifting.

operties: The Company owns an executive e, warehousing, engineering, research and lopment and limited manufacturing facility in field Beach, Florida, and subsidiary sales and ice facilities in Madrid, Spain, New South s, Australia, and Auckland, New Zealand.

e Company leases manufacturing, warehous- and office space in Moca, Puerto Rico and idiary sales, warehouse, and office facilities in eldorf, West Germany, Rungis, France and shire, England.

her facilities are located as follows:

ria	Singapore
um	Italy
erlands	Switzerland
ce	Hong Kong

Subsidiaries

inental Instruments Corporation
titech Corporation
t of Sale Data Products, Inc.
lco Iberia, S.A. (Spain)
ormatic Electronics Corp. (Puerto Rico)
lco Italia S.R.L. (Italy)
lco Limited (England) (99%)
lco G.m.b.H. (W. Germany)
lco France, S.A.
lco A.G. (Switzerland)
lco Ges. m.b.H. (Austria)
lco (Benelux) S.A. (Belgium)
lco Nederlands B.V.
lco Pty. Ltd. (Australia)
lco (N.Z.) Ltd. (New Zealand)
lco (Hong Kong) Ltd.
lco /Pacific, Inc. (Singapore)

Officers

Assaf, Chmn., Pres. & C.E.O.
Pardue, Exec. V.P. & C.O.O.
Gillette, Senior Vice-Pres.
Simmons, V.P. — Fin.
Flores, Treas. & Sec.

Vice-Presidents

Weider	J.F. Daut
Giles	A.G. Guiliano
Tate, Jr.	H. Wurtele

Directors

Assaf	B. Kane
LeWine	J.E. Lineberger
Milnes	A.S. Nicholas

ditors: Ernst & Young.

gal Counsel: Christy & Viener.

nual Meeting: In November.

. of Employees: May 31, 1990, 1,432.

. of Stockholders: Aug. 17, 1990, 3,717.

dress: 500 N.W. 12th Ave., Deerfield Beach, 33442-1795. **Tel.:** (305)427-9700. **Fax:** (305)428-

nsolidated Income Account, years ended 31 ($000):

	1990	① 1989	② ① 1988
	153,640	116,454	100,692
als	22,300	21,659	10,920
r	15,327	12,791	11,271
l revenues	191,267	150,904	122,883
of sales	79,786	61,656	49,706
ec on rev equip	6,963	6,712	3,941
& customers			
v	57,041	46,512	34,763
inistrative	17,319	14,105	13,073
arch & prod			
vel	5,534	3,748	2,747
per costs &			
s	166,643	132,733	104,230
ating income	24,624	18,171	18,653
nt & other			
est inc	2,280	4,422	6,045
r	dr1,877	dr1,229	dr254
l other income	403	3,193	5,791
ef i taxes	25,027	21,364	24,444
fo xes	5,000	4,400	5,800
ef e ffils	20,027	16,964	18,644
inc of affils,			
		dr256	dr2,435
r contin opers	20,027	16,708	16,209
fr discont			
ers		20	26,821
ncome	20,027	16,688	d10,612
retained earns	82,146		78,822
mon divs	4,974		1,387
ined earns	97,199		66,823

Earn com sh:			
Primary:			
Cont oper	$0.72	$0.60	$0.58
Discont opers	......	......	d$0.96
Net income	$0.72	$0.60	d$0.38
Common shares (000):			
Year-end	23,955	25,842	26,784
Average	27,815	27,817	27,900
Deprec & amort	11,332	10,647	6,125

①Reclassified to conform with current presentation ②Restated to reflect the opers of CheckRobot Inc & Datavision Inc as discont opers

Consolidated Balance Sheet, as of May 31 ($000):

	1990	1989
Assets:		
Cash & mktable securities	①26,885	①53,126
Trade & other receivs, net	②③88,792	②③76,281
Inventories	44,941	45,305
Revenue equipment, net	④24,833	④19,297
Tot other prop, plt & equip	26,413	21,105
Patents	⑤13,395	14,156
Cost in excess of net assets acquired	⑥24,755	15,884
Defer chrgs & other assets, net	⑦15,104	⑦9,922
Total assets	265,118	255,076
Liabilities:		
Accounts payable	9,868	11,578
Accrued liabilities	21,784	18,622
Income taxes payable	7,131	11,858
Deferred income taxes	6,539	5,451
Debt	19,966	15,539
Common stock	⑧130,822	⑧127,183
Retained earnings	97,199	82,146
Treasury stock	⑨dr27,143	⑨dr14,362
Fgn currency transl adj	1,424	dr361
Notes receiv fr stk sales	dr2,472	dr2,578
Total stkhldrs' equity	199,830	192,028
Total liabil & stk eq	265,118	255,076

①Incl marketable securs: 1990 $7,061,000 ; 1989 $8,849,000 ②Allow for doubtful accounts: 1990 $6,827,000 ; 1989 $6,495,000 ③Unearned interest & maintenance: 1990 $15,105,000 ; 1989 $12,265,000 ④Accum depreciation: 1990 $15,067,000 ; 1989 $12,588,000 ⑤Accum amortization: 1990 $3,577,000 ⑥Accum amortization: 1990 $1,669,000 ⑦Accum amortization: 1990 $2,902,000 ; 1989 $2,593,000 ⑧Par value: $.01; Auth shs: 1990 60,000,000 ; 1989 60,000,000 ⑨Shares: 1990 2,675,000 ; 1989 1,571,000

Long-Term Debt: Outstg. May 31, 1990, $19,966,000 consisting of:

(1) $6,619,000 9% Identitech acquisition indebtedness.

(2) $9,969,000 unsecured revolving credit notes payable.

(3) $2,510,000 9¼% to 10¼% secured notes payable, due through 2006.

(4) $868,000 other long-term debt.

Capital Stock: Sensormatic Electronics Corp. com.; par $0.01:

AUTH. — 60,000,000 shs.; outstg., May 31, 1990, 23,955,000 shs.; in treas., 2,675,000 shs.; reserved for options, 3,257,000 shs.; reserved for Employee Stock Purchase Plan, 1,061,000 shs.; par $0.01.

$0.01 par shs. split 3-for-2 May 31, 1983.

VOTING RIGHTS — Entitled to one vote per share.

PREEMPTIVE RIGHTS — None.

DIVIDENDS PAID (calendar years):

1978..............$0.05 1979 ....$0.11 ①1980.........$0.06

On $0.01 par shs. after 100% stk. div.:

1980...............0.04 1982 ....0.05

On $0.01 par shs. after 100% stk. div.

1982...............0.03 1983 ....0.03

On $0.01 par shs. after 3-for-2 split:

1983............0.02½ 1984-89.........0.05 1990..............0.26

②1991.........0.07½

①Also paid stk. divs.: 1980, 100%; 1982, 100%.

②To Jan. 16.

TRANSFER AGENT — First National Bank of Boston, Boston, Mass.

LISTED — On NYSE (Symbol SRM).

OFFERED (300,000 shs.) at $12.50 on Feb. 13, 1969 by Collins Securities Corp., New York and associates.

(300,000 shs.) at $6.50 on Oct. 7, 1970, thru Lineberger, Lowe & Co. and Associates.

(350,000 shs.) at $27.25 per sh. on Dec. 27, 1979, thru L.F. Rothschild, Unterberg, Towbin; The Robinson-Humphrey Company, Inc. and associates.

PRICE RANGE —	1990	1989	1988	1987	1986
High	15¾	13⅞	10½	13⅜	11⅝
Low	10⅛	9⅝	7⅜	7⅛	7⅝

SEQUA CORP.

History: Incorporated in Delaware, March 28, 1929, as General Printing Ink Corp.; Name changed to Sun Chemical Corp. on Nov. 28, 1945; present name adopted on May 8, 1987. For other acquisitions prior to 1960, see Moody's 1960 Industrial Manual.

In 1960 acquired Artistic Mfg. Co., Inc., Stamford, Conn., (sold in 1974); Dyna-Foam Corp., Ellenville, N.Y., (dissolved 1964); and business of Carbo Chemical Co., Pawtucket, R.I. (dissolved 1964).

On Nov. 30, 1960, General Printing Ink Co., Inc. (N.Y.), former subsidiary, was dissolved.

In Apr. 1966, acquired Tousey Varnish Co., Northlake, Ill., for $3,650,000 cash.

In June 1967 acquired Varnish Products Co. for 4,147 shares of 5% second pfd. stock.

On Jan. 29, 1968 sold the assets of Industrial Coatings Division.

In Dec. 1968 acquired Federal Color Laboratories, Inc., Cincinnati, O., for 303,030 common shares.

In Dec. 1969, acquired 241,500 shs. (over 10%) of Standard Kollsman Industries, Inc. for about $11 a sh.

On Dec. 30, 1970 acquired Web Press Engineering, Inc., Chicago, and Logic Systems Inc.

On Nov. 1, 1971 acquired Sta-Hi Corp. Newport Beach, Cal.

In Sept. 1972 acquired 80% interest in Societe France Couleurs, S.A. for cash.

On Dec. 29, 1972 merged Standard Kollsman Industries, Inc. thru exchange of 1 com. sh. for each 4½ Standard Kollsman shs.

In Apr. 1973 acquired 25% interest in Ault & Wiborg Group Ltd. Under deal, Ault & Wiborg will acquire British Printing Ink Co., a Co. subsidiary, and a license to manufacture and sell Co.'s Suncure ultraviolet cured printing inks (acquired additional 15% interest in 1974 and 2% in 1977.)

In Apr. 1973 acquired 83.9% interest in Baglini, S.p.A., Italy for an undisclosed cash sum (acquired additional 13.7% in 1976).

In Sept. 1973 acquired 80% interest in Societe Encres Dresse, Belgium, for cash.

In Apr. 1974, Encres Dresse subsidiary acquired Dambrame, Belgium for cash (acquired additional 10% in 1976).

In Dec. 1974, sold Artistic Division, manufacturer of ribbons and bows.

In Jan. 1975, sold Warwick Chemical (Yorkshire) Ltd.

In Feb., 1979, acquired a 5.2% interest in Chromalloy American Corp. Interest increased to 18% subsequently in 1979.

In Feb. 1982, Co. increased its interest in Chromalloy American Corp. to 36.1% by purchasing a total of 297,100 shs. for $5,500,000 between Oct. 23, 1981 thru Jan. 14, 1982. (Acquired remaining shs. in Dec. 1986).

In Feb. 1986, sold its Venezuelan printing ink subsidiary for $4,000,000.

In Jan. 1987, Co. completed the sale of its graphic arts materials group to Dainippon Ink and Chemicals, Inc., for approximately $550,000,000 in cash.

In Mar. 3, 1987, Co. acquired Litho-Strip Co. a division of Amsted Industries Inc. with plants in Chicago and Houston , also in 1987, acquired Jet Services West and Malichaud et Cie for at total purchase price of approximately $36,000,000.

In Dec. 1987, Co. acquired Atlantic Research Corp. for $307,000,000.

Also, in 1987, Co. sold K-G. Retail chains of mean's specialty stores.

On Jan. 5, 1988, Co. and Atlantic Research Corp. merged, following the conclusion of Co.'s $31 per share cash tender offer for Atlantic Research shares. In the offer, which expired on Dec. 21, 1987, Co. received valid tenders which, when coupled with shares already owned by Co., amount to approximately 94% of Atlantic Research shares. Atlantic Research stockholders who did not tender their stock but who surrender their shares in the merger will receive $31 per share in cash. Under the merger, Atlantic Research Corp. becomes a wholly owned subsidiary of Co.

In Mar. 1988, sold Chromallory American Insurance Group, Inc. with Resolute Holdings, Inc.

In 1988, Co. purchased all of the common stock of Sequa PLC. for $24,400,000.

Also, in 1988, Co. sold Woolley Tool & Manufacturing Division in the engineered services business.

In 1989, sold its land transportation division with the sale of its Transit Management Services Division, Muncie Reclamation & Supply Division, Hausman Bus Sales & Parts Division and National Seating Co.

Also in 1989, sold its Teleproducts Division.

In 1989, Co.'s wholly-owned subsidiary, Chromally Gas Turbine Corp., purchased the business and assets of Aero Cast, Inc., Aerodyne Investments Castings , Inc., Caval Tool & Machine Co., Inc., DRB Industries, Inc., H7H Parts Co., Inc. and The Stalker Corp. for $70,000,000.

On Dec. 12, 1989, sold a majority interest in Atlantic Research Corp. to Chromalloy Gas Turbine Corp.

In March 1990, sold its Tempest Products unit for a total of approx. $3,132,000.

Business: Co. is engaged in producing and selling a broad range of products and services through operating companies in six consolidated industry segments: Aerospace, Transportation, Machinery and Metal Coatings, Specialty Chemicals, Professional Services and Other Products, and Financial Services.

Property: Company leases 58,000 sq. ft. of corporate office space in New York, N.Y.; Hackensack, N.J.; and Cincinnati, Oh.

Aerospace — The Kollsman operation owns two plants in New Hampshire with aggregate floor space of 400,000 sq. ft. and leases five other facilities aggreagting 132,000 sq. ft. Also owns a 23,000 sq. ft. manufacturing ficility in Wichita, Kan. and leases 12 domestic and four foreign facility aggregating 160,000 sq. ft.

The Chromalloy Gas Turbine Corp. operates 60 plants in twelve states and seven foreign countries with aggregete floor space of approx 3,600,000 sq. ft.

Rocket propulsion operations lease two principal manufacturing facilities, a 421 acre site in Gainsville, Va. and a 1,014 acre site in Camden, Ark.

Adjacent to the Gainesville leased facility, Co. owns 12 additional acres and an 89,000 sq. ft. office and manufacuturing complex. Also leases 124,000 sq. ft of administrative and manufacturing space in Ala., Calif. and Va. Co. also owns 2,430 acres of l[illegible] [illegible]n Orange County, Va., which has been devel- [illegible] or use in the propellant business. The liquid p[illegible] [illegible]ision division leases a 96,000 sq. ft. facility in Niagara, N.Y.

Machinery and Metal Coatings — The can-forming and decorating operations own two plants in the United States with aggregating floor space of 228,000 sq. ft and leases one small warehouse facility of approx. 5,000 sq. ft. In Europe, owns a plant with aggregate floor space of approx. 57,000 sq. ft. The Precoat Metals operations owns five manufacturing facilities in Mo., Ill. and Tex. with a total of 500,000 sq. ft of space. An additional 75,000 sq. ft is leased in Ill.

Specialty Chemicals — The Specialty Chemicals segment owns one plant situated on 78 acres in Chester, South Carolina aggregatin 147,000 sq. ft. of space. In addition, the segment owns two plants in the United Kingdom with aggregate floor space of 190,000 sq. ft. on approx. 37 acres of land and leases a 9,100 sq. ft. of warehouse and office space in six separate locations in France.

Transportation — Sequa's barge business operates in excess of 900 barges; 22 tow boats and 9 tugs. Also utilizes approx. 274,000 sq. ft. of Terminal and Maintenance facilities on approx. 300 acres of land. The barge group leases approx. 37,000 sq. ft. of office space in St. Louis, Mississippi nas New York.

Sabine owns six United States flag deep-sea tankers and operates 15 tow boats and 38 tank barges. Also owns nine harbor tugs, and approx. 82,00 sq. ft. of space in Port Arthue, Tex.

Professional Services and Other Products — The Professional Services Group operates in 61 locations with a total of approx. 676,000 sq. ft. of space.

The engineered services businesses operate two manufacturing facilities in La. and W. Va. In addition, they also lease seven and own two sales, administrative and warehouse facilities totaling approx. 49,000 sq. ft.

The automotive products subsidiary, Casco owns a 268,000 sq. ft. plant in Conn.

Financial Services — Sequa Capital Corp. utilizes 15,000 sq. ft. of leased office space in New York City and two satellite offices totalling 1,300 sq. ft. in Englewood Cliffs, N.J. The Centor Co., a wholly-owned subsidiary, owns and operates the [illegible]omalloy Plaza Building in Clayton, Mo.

Subsidiaries

[illegible]antic Research Corporation
Chromalloy Gas Turbine Corporation
Casco Products Corp.
Kollsman Avionics
Kollsman Military Systems
Kollsman Systems Management
Arkansas Propulsion Division
Virginia Propulsion Division
Systems & Applied Sciences Corporation
Rutherford Machinery Division
Materiels Equipements Graphiques
Precoat Metals Division
Standun Canforming Systems
The Valley Line Company
Sabine Towing and Transportation Co.
Sequa Chemicals, Inc.
Warwick International Ltd.
Sequa Engineered Services
Sequa Capital Corporation
SunRise Insurance Limited

Officers

N.E. Alexander, Chmn. & C.E.O.
S.Z. Krinsly, Sr. Exec. V.P. & Gen. Counsel
G.S. Gutterman, Exec. V.P., Fin. & Admin.
H. Brill-Edwards, Senior Vice-Pres.
D.M. Libutti, Senior Vice-Pres.
M. Weinstein, Senior Vice-Pres.
R.H. Wright, Senior Vice-Pres.
W.E. Morris, Senior Vice-Pres.
A.L. Savoca, Senior Vice-Pres.
K.A. Drucker, V.P. & Treas.
W.P. Ksiazek, V.P. & Contr.
I.A. Schreger, Secretary

Vice-Presidents

J.A. Cabrey	D.J. Marquitz
L.G. Kyriakou	S.W. Rosen
J.J. Quicke	D.S. Bunin
J.C. Allwarden	R.P. Schneider
M. Adlman	

Directors

N.E. Alexander	R.E. Davis
A. Dworman	A.L. Fergenson
R. Frankel	D.S. Gottesman
S.Z. Krinsly	D.D. Kummerfeld
[illegible]. LeFrak	F.R. Sullivan
[illegible]sai, Jr.	

Auditors: Arthur Andersen & Co.

Shareholder Relations: Linda G. Kyriakou, Vice-Pres. Corp. Comm. **Tel.:** (212)986-5500.

Annual Meeting: In May.

No. of Employees: Dec. 31, 1990, 18,500.

No. of Stockholders: Dec. 31, 1990, 3,800 cl. A; cl. B, 900.

Address: 200 Park Avenue, New York, NY [illegible] Tel.: (212)986-5500 Fax: (212)370-1969.

Consolidated Income Account, years ended Dec. 31 ($000):

	1990	1989	[1]1988
Net sales	1,858,012	1,602,118	1,411,894
Oper revenues	293,328	301,745	299,547
Financial servs revs	59,684	55,292	31,305
Tot net sales & revs	2,211,024	1,959,155	1,742,746
Cost of sales	1,391,220	1,223,814	1,042,579
Cost of oper revs	264,003	239,457	247,619
Cost of financial servs revs	45,108	32,166	17,562
Selling, gen & admin	364,172	269,072	255,587
Total costs & exps	2,064,503	1,764,509	1,563,347
Oper income	146,521	194,646	179,399
Interest expense	70,227	60,942	61,387
Interest income	8,756	5,059	5,263
Gain-sale of min int	......	dr15,109	......
Other, net	dr11,645	dr12,146	dr1,476
Tot other inc (exp)	dr73,116	dr83,138	dr57,600
Inc bef income taxes	73,405	111,508	121,799
Prov for inc taxes	40,740	51,000	49,072
Inc from cont opers	32,665	60,508	72,727
Income from opers	......	dr4,637	dr4,080
Net income	32,665	55,871	68,647
Previous retain earn	32,665	418,317	359,629
Cash divs-Class A	3,642	3,793	4,063
Cash divs-Class B	1,748	1,844	1,938
Cash divs-pfd	3,529	3,841	3,958
Retained earnings	488,456	464,710	418,317
Earn com sh:			
Primary:			
Cont oper	$3.03	$5.55	$6.42
Discont opers	......	d$0.45	d$0.38
Net income	$3.03	$5.10	$6.04
Fully diluted:			
Cont oper	$3.03	$5.39	$6.20
Inc fr discont opers	......	d$0.41	d$0.35
Net income	$3.03	$4.98	$5.85
Common shares (000):			
Year-end	9,526	9,842	10,312
Average:			
Primary	9,618	10,213	11,735
Fully diluted	10,551	11,217	11,245

[1]Restated to reflect discontinued operations

Consolidated Balance Sheet, as of Dec. 31 ($000):

Assets:	1990	[1]1989
Cash & cash equivalents	46,862	83,303
Short-term invests	3,846	3,585
Receivables, net	267,905	229,830
Unbilled receivables, net	159,453	151,226
Inventories	331,277	305,530
Invest in leasing assets	70,184	59,586
Net assets of discont opers	5,856	31,462
Other current assets	55,849	80,093
Total current assets	941,232	944,615
Invest in leasing assets	426,921	337,768
Non-current receivables	43,214	68,479
Other invests	68,185	47,145
Total invests	538,320	453,392
Prop, plant & equip, net	631,520	527,019
Excess of cost over assets of cos acq	382,570	395,219
Deferred charges & other	23,111	24,061
Total other assets	405,681	419,280
Total assets	2,516,753	2,344,306
Liabilities:		
Curr maturs of lg tm debt	24,501	45,994
Accounts payable	171,373	169,387
Taxes on income	19,803	34,831
Accrued expenses	233,057	217,525
Total current liabil	448,734	467,737
Lg tm debt, net of curr maturs	1,100,668	922,572
Deferred taxes on income	79,149	66,711
Other liabilities	171,826	182,239
Defer crs & other liabil	250,975	248,950
Pfd stock-$5 cumul conv	[2][3]797	[2][3]797
Class A common stock	[4][5]7,042	[4][5]7,042
Class B common stock	[6][7]3,873	[6][7]3,873
Cap in excess of par value	299,971	301,165
Cumul translation adj	cr24,288	cr462
Retained earnings	488,456	464,710
Total	824,427	778,049
Less-cost of treasury stk	[8][9]dr108,051	[8][9]dr73,002
Total shholders' equity	716,376	705,047
Total liabil & stk eq	2,516,753	2,344,306
Net current assets	492,498	476,878
Book value	$34.96	......

[1]Reclassified to conform with current presentation [2]Par value: $1.00; Auth shs: 1,825,000; Issued: 1990 797,000; 1989 797,000 [3]Involuntary liquidation value: 1990 $26,359,000; 1989 $31,596,000 [4]No par value; Auth shs: 1990 25,000,000; 1989 25,000,000 [5]Issued shs: 1990 7,042,000; 1989 7,042,000 [6]No par value; Auth shs: 1990 5,000,000; 1989 5,000,000 [7]Issued shs: 1990 3,873,000; 1989 3,873,000 [8]Class A shs: 1990 987,473; 1989 832,711 [9]Class B shs: 1990 401,257; 1989 240,156

Long Term Debt: 1. Sequa Corp. 10½% senior subordinated notes, due 1998:

Rating — Baa3

AUTH. — $250,000,000; outstg., Dec. 31, 1990, $250,000,000.
DUE — May 1, 1998.
INTEREST — M&N 1.
CALLABLE — As a whole or in part beginning May 1, 1993 at 104.67.
OTHER DETAILS — Not reported.
LISTED — On New York Stock Exchange.
OFFERED — $250,000,000 on Apr. 27, 1988 [illegible] Drexel Burnham Lambert Inc. & Bear Stearns & Co. Inc. and associates.
PRICE RANGE —

	1990	1989
High	103	100½
Low	100	100½

2. Sequa Corp 9⅝ Notes, due 1999:

Rating — Baa2

AUTH — $150,000,000; outstg. Dec. 31, 1990 $150,000,000.
DATED — Oct. 15, 1989. DUE — Oct. 15, 1999.
INTEREST — A&O 15 to holders registered M[illegible] & S 30.
TRUSTEE — The First National Bank of Chicago.
DENOMINATION — Fully registered, $1,000 and integral multiples thereof. Transferable and exchangeable without service charge.
CALLABLE — Not callable prior to maturity.
SECURITY — Not secured. Rank prior to all subordinated indebtedness of Co. and pari passu with all other unsecured and unsubordinated indebtedness of Co. Co. or any restricted subsidiary will not create, incur, issue or assume any indebtedness secured by any lien on any physical property owned by Co. or any wholly-owned domestic subsidiary, and Co. will not itself, and will not permit any subsidiary to, create, incur, issue or assume any indebtedness secured by any lien on any shares of stock or indebtedness of any wholly-owned domestic subsidiary which owns any physical property, without equally and ratably securing the indenture securities, unless after giving effect thereto the aggregate principal amount of such secured indebtedness then outstanding plus the attributable debt of Co. and its wholly-owned domestic subsidiaries in respect of sale and leaseback transactions involving physical property entered into after the date of the first issuance of indenture securities, other than such transactions as are permitted as described in clause (b) under Sale and Leaseback would not exceed 5% of consolidated net tangible assets.
SALE AND LEASEBACK — So long as any indenture securities are outstanding under the indenture, Co. or, any wholly-owned domestic subsidiary will not enter into any sale and leaseback transaction after the date of the first issuance of indenture securities covering any principal property, which was or is owned or leased by Co. or a subsidiary and which has been or is to be sold or transferred more than 120 days after the completion of construction and commencement of full operation thereof, unless (a) the attributable debt of Co. and its wholly-owned domestic subsidiaries in respect thereto and all other sale and leaseback transactions entered into after the date of the first issuance of indenture securities, plus the aggregate principal amount of indebtedness secured by liens on physical properties then outstanding without equally and ratably securing the indenture securities, would not exceed 5% of consolidated net tangible assets, or (b) an amount equal to the greater of the net proceeds of such sale or transfer or the fair value of such physical property is applied within 120 days to the voluntary retirement of the indenture securities or other indebtedness of Co. or indebtedness of a wholly-owned domestic subsidiary, for money borrowed, maturing more than 12 months after such application.
INDENTURE MODIFICATION — Indenture may be modified, except as provided, with consent of 66⅔% of notes outstg.
RIGHTS ON DEFAULT — Trustee, or 25% of notes outstg., may declare principal due and payable (30 day's grace for payment of interest).
PURPOSE — Proceeds will be added to the general funds of Co. and may be used to repay outstanding debt and to meet capital expenditure and working capital requirements.
OFFERED — ($150,000,000) at 99.75 plus accrued interest (proceeds to Co., 99.10) on Oct. 19, 19[illegible] thru Merrill Lynch Capital Markets; Bear, Stearns & Co. Inc.; J.P. Morgan Securities Inc.; Shearson Lehman Hutton Inc. and associates.

3. Sequa Corp. med.-term notes, ser. A, 9 mos. to 40 yrs.:

Rating — Baa2

AUTH — $100,000,000; outstg. this [illegible] $100,000,000.
DATED — 1991. DUE — 9 mos. to 40 yrs.
INTEREST — A&O 15 to holders registered [illegible] & S 30. Each note will bear interest at either (a) fixed rate or (b) a floating rate determined by reference to an interest rate base, which may be adjusted by a spread or spread multiplier. [illegible] floating rate note may also have either or both the following: (I) a maximum numerical [illegible] rate limitation, or ceiling, on the rate of [illegible] that may accrue during any interest period [illegible] (II) a minimum numerical interest rate [illegible] or floor, on the rate of interest that may [illegible] during any interest period. The applicable [illegible] supplement will designate a fixed rate [illegible] for each fixed rate note or one of the [illegible] bate rates for each floating rate note: the [illegible] the Commercial Paper Rate, the Federal [illegible] Rate, LIBOR, the Treasury Rate, the [illegible] or another base rate designated by Co.
TRUSTEE — First National Bank of Chi[illegible]
DENOMINATION — Each note will [illegible] represented by a globe note registered [illegible] of The Depository Trust Co., the De[illegible] inee unless the applicable pricing [illegible] ifies that notes will be issued in [illegible] tered form. An interest in a glob[illegible]

hown on, and transfers thereof will be effected nly through records maintained by the depository nd its participants. A beneficial interest in a lobal note will be exchanged for notes in definive form only under the limited circumstances escribed herein. Fully registered $100,000 or any mount in excess thereof which is an integral mulple of $1,000.

AI LE — If provided in the applicable pricing ement, the notes may be redeemable at e of Co. thereof prior to the stated maturty at a price specified in such pricing supplement.

EPAYMENT AT THE OPTION OF IOLDER — If provided in the applicable pricing upplement, the notes may be repayable at the ption of the holder thereof prior to the stated iaturity at a price specified in such pricing supplement.

ECURITY — Not secured. Ranks equally with all ther unsecured and unsubordinated indebtedness f Co. (I) Co. nor any wholly-owned domestic subidiary will not create, incur, issue or assume any idebtedness secured by any lien on any pphysical roperty owned by Co. or any wholly-owned omestic subsidiary, and (II) Co. will not itself, nd will not permit any subsidiary to, create, icur, issue or assume any indebtedness secured y any lien on any shares of stock or indebtedness f any wholly-owned domestic subsidiary which wns any physical property, without, in any event lescribed in the foregoing clause (I) or (II), qually and ratably securing the indenture securiies, unless after giving effect therto (x) the aggreate principal amount of such secured indebtediess then outstanding plus (y) the attributable lebt of Co. and its wholly-owned domestic subsidiries in respect of sale and leaseback transactions lescribed below involving physical properties ntered into after the date of the first issuance of ndenture securities, other liens existing on ay roperty of or shares of stock or indebtedness of iny corporation at the time it becomes a whollywned domestic subsidiary, or arising thereafter iursuant to contractual commitments entered into rior to such corporation's becoming a whollywned domestic subsidiary and otherwise than in onnection with borrowing of money arranged fter such corporation became a wholly-owned lomestic subsidiary, would not exceed 5% of conolidated net tangible assets.

SALE AND LEASEBACK — Co. or any whollywned subsidiary will not enter into any sale and easebacktransaction after the date of the first issuance of indenture securities covering any physical roperty, which was or is owned or leased by Co. or a wholly-owned domestic subsidiary and which ias been or is to be sold or transferred more than 120 after the completion of construction and on ement of full operaion thereof, unless (a) he outable debt of Co. and its wholly-owned lomestic subsidiaries in respect thereto and all other sale and lease back transactions entered into ifter the date of the first issuance of indenture securities, plus the aggregate principal amount of ndebtedness secured by liens on physical properies then outstanding without equally and ratably securing the indenture securities, would not exceed 5% of consolidated net tangible assets, or (b) and imount equal to the greater of the net proceeds of such sale or transfer or the fair value of such physical property is applied within 120 days to the voluntary retirement of the indenture securities or other indebtedness of Co. or indebtedness of a wholly-owned domestic subsidiary for money borrowed, maturing more than 12 months after such application.

INDENTURE MODIFICATION — Indenture may be modified, except as provided, with consent of 66⅔% of notes outstg.

RIGHTS ON DEFAULT — Trustee, or 25% of notes outstg., may declare principal due and payable (30 day's grace for payment of interest).

PURPOSE — Proceeds will be added to the general funds of Co. and may be used to repay outstanding debt and to meet capital expenditure and working capital requirements.

OFFERED — ($100,000,000) at 100 plus accrued interest (proceeds to Co., 99.875-99.000) on Apr. 22, 1991 thru Bear, Stearns & Co. Inc., Merrill and associates.

4. Other Long-Term Debt: Outstg. Dec. 31, 1990, $725,169,000 comprised of:

Debt of operations excluding Financial Services:

(1) $50,000,000 10.27% private placement, due 1994.

(2) $51,500,000 8.6% Euro-commercial paper.

(3) $97,900,000 8.7% uncommitted lines of credit.

(4) $25,000,000 9.25% revolving term loan.

(5) $27,195,000 9.47% Insurance Co. loan payable thru 1998.

(6) $6,938,000 8.4% and 10.88% United States government-insured Merchant Marine bonds payable thru 2005.

(7) $19,454,000 10.3% and 7.9% average interest rate mortgage notes payable and equipment oblig of thru 2013.

(25,044,000 8.2% and 8.4% other long-term debt payable in varying amounts through 2003.

Debt of Financial Services:

(9) $279,000,000 9.36% revolving credit agreement.

(10) $21,000,000 9.13% average interest rate commercial paper.

(11) $20,000,000 8.76% average interest rate money market lines.

(12) $17,500,000 10.12% average interest rate private placement.

(13) $62,138,000 9.9% average interest rate term, loans, due 1990 thru 1993.

(14) $22,500,000 10.0% subord. term note due 1994 thru 1996.

In July 1988, Co. entered into a five-year revolving term loan agreement with a group of nine banks. Effective Dec. 31, 1990, the agreement was amended increasing the maximum amount available under this facility from $250,000,000 to $300,000,000. the rate of interest payable under the loan agreement is, at Co.'s option, the prime rate, a function of the Eurodollar rate or a function of the domestic certificate of deposit rate. The agreement requires Co. to pay a commitment fee at an annual rate ranging from .19% to .25% of the unused credit line. At Dec. 31, 1990, $25,000,000 was outstanding under this facility.

In June 1989, Sequa Capital Corp. a wholly owned subsidiary in the Financial Services segment, entered into a commercial paper agreement with Manufactures Hanover Securities Corp. for the issuance of up to $100,000,000 of short-term financing at prevailing interest rates for periods not exceeding 9 months. At Dec. 31, 1990, $21,000,000 of commercial paper was outstanding under this agreement.

In Sept. 1989, the Company initiated a Euro-commercial paper program which, subject to market conditions, makes available to the Company $200,000,000 of short-term financing at prevailing interest rates for periods ranging from 3 to 365 days. At Dec. 31, 1990, $51,500,000 was outstanding under this program.

In Sept., 1989, the Company Capital Corporation entered into a 39-month, $300,000,000 revolving term loan agreement with a group of banks. The rate of interest payable under this agreement is, at Sequa Capital corp.'s option, a function of either the prime rate, LIBOR or the domestic certificate of deposit rate. The agreement requires Sequa Capital Corp. to pay a commitment fee at an annual rate of 0.375% on the unused portion of the facility. At Dec. 31, 1990, $279,000,000 was outstanfing.

The Company has the intent and the ability, supported by the terms of its revolving term loan agreements, to maintain on a long-term basis the principal amounts outstanding under its short-term financing facilities. Accordingly, amounts outstanding under these facilities have been classified as long-term debt.

The Comapny has a policy aimed at managing interest rate risk associated with its current and future anticipated borrowings; accordingly, the Company has entered into various interest rate swaps, options, caps and similiar arrangements are deferred and amortized as yield adjustments over appropriate periods. At Dec. 31, 1990, the Company had outstanding interest rate swaps expiring in 1996 which effectively convert $50,000,000 of variable rate borrowings under short-term financing facilities to fixed-rate borrowings with an average interest rate of 8.66%.

The company's loan agreements, excluding those pertaining to Sequa Capital Corp., contain covenants which restrict, among other matters, the ability of the Company to borrow, invest in Sequa Capital Corp., pay dividends and repurchase common stock. The Company must also maintain certain ratios regarding outstanding debt and net worth. Under the most restrictive covenant at Dec. 31, 1990, consolidated retained earnings of approximately $50,526,000 were unrestricted as to payment of cash dividends and the repurchase of the Company's common stock. In addition, Sequa Capital Corp. is subject to covenants relating to leverage, net worth, interest coverage and dividend distributions, among other restrictions. Certain of the Company's other subsidiaries are also subject to covenants which restrict loans, advances and cash dividends to the parent.

Capital Stock: 1. Sequa Corp. $5 cumulative convertible preferred; par $1:

AUTH. — 1,825,000 shares; outstg., Dec. 31, 1990, 633,523 shares; in treas., 163,477 shs.; par $1.

DIVIDEND RIGHTS — Entitled to cumulative dividends of $5 per sh. per annum.

DIVIDEND RECORD — Initial dividend of $1.25 paid Feb. 1, 1987; regular quarterly dividends paid thereafter.

CALLABLE — At option of Co. at $100 per sh.

CONVERTIBLE — Each sh. in convertible into 1.322 shs. of Class A common.

ISSUED — Issued in connection with merger of Co. and Chromalloy American Corp.

LISTED — On NYSE (Symbol: SQA Pr)

PRICE RANGE —	1990	1989	1988	1987	1986
High	105	106	97	115½	93
Low	97	86	73	64	92

2. Sequa Corp. Class A common; no par:

AUTH. — 25,000,000 shares; outstanding, Dec. 31, 1990, 6,054,527 shares; in treas., 987,473 shs.; reserved for options, conversion of preferred and Class B common stock, 4,548,724 shares; no par.

DIVIDEND RIGHTS — For a period of five years commencing Jan. 1, 1987, annual dividends, if any, on Class A common will be at least $0.10 more per sh. than Class B common dividends.

DIVIDENDS —

On Old Common Stock

On no par shares:

1929	$1.875	1930-31	$2.50	1932	$0.25
1933	0.15	1934	1.00	1935	2.00
1936	5.00	1937	0.60		

On $1 par shares:

1937	0.90	1938	0.50	1939	0.80
1940	0.60	1941	0.65	1942	0.30
1943-44	0.40	1945	0.45	1946-47	0.60
1948	0.50	1949	0.40	1950	0.90
1951-54	0.75	1955	0.85	1956	0.90
1957	0.80	1958	0.70	1959-61	0.60
1962-76	0.40				

On $1 par shs. after 3-for-2 split:

1977	0.45	1978	0.60	1979	0.45

On $1 par shs. after 4-for-3 split:

1979	0.15	1980	0.60	1981	0.18

On $1 par shs. after 3-for-2 split:

1981	0.36	1982-86	0.48

On Class A common

1987-90	0.60	[1]1991	0.15

[1]To Apr. 1.

DIVIDEND RESTRICTIONS — See long term debt above.

VOTING RIGHTS — Has one vote per share.

PREEMPTIVE RIGHTS — None.

TRANSFER AGENT & REGISTRAR — Continental Stock Transfer & Trust Co., NYC.

LISTED — On NYSE (Symbol: SQA A).

PRICE RANGE —	1990	1989	1988	1987	1986
High	77	77½	69¾	88⅜	69
Low	50	56⅝	49⅝	40¾	65

3. Sequa Corp. Class B common; no par:

AUTH. — 5,000,000 shares; outstanding Dec. 31, 1990, 3,471,743 shares; treas., 401,257 shs.; reserved for options 801,150 shares; no par.

VOTING RIGHTS — Has ten votes per share.

CONVERTIBLE — Convertible into Class A common stk. on a sh.-for-sh. basis.

DIVIDENDS —

1987-90	$0.50	[1]1991	$0.25

[1]To July 2.

LISTED — On NYSE (Symbol: SQA B).

PRICE RANGE —	1990	1989	1988	1987	1986
High	85½	80½	72	91½	71¾
Low	64½	61	51½	42¾	68¼

Recapitalization: In Dec. 1986, stockholders approved a proposal to authorize 25,000,000 shares of Class A common and 5,000,000 shares of Class B common and each outstanding common share was converted into a one-half share of Class A and one-half share of Class B common.

SERVICE MERCHANDISE CO., INC.

History: Inc. in Tenn. in Jan. 1970 to succeed to catalog and showroom merchandising business founded in Sept. 1960.

On July 30, 1971, acquired, in pooling of interests transactions, outstg. capital stock of 7 affiliated Cos. in exchange for 484,287 com. shs.

In Apr. 1974, acquired 7 catalog showrooms operations of Malone & Hyde, Inc. for about $10,000,000 in cash and notes.

In July acquired 2 Sam Solomon Co. stores in Charlotte, N.C., for undisclosed terms.

On Aug. 10, 1982, acquired Sam Solomon Company in a stock transaction valued at $10,233,000.

On May 3, 1983, acquired The Computer Shoppe, Inc. for 100,000 shs. of Co.'s com. stk.

In July 1983, acquired Home Owners Warehouse, Inc. for 663,000 Co. com. shs.

On May 8, 1985, Co. acquired H.J. Wilson Co., Inc. through a tender offer for all of the outstanding shares of its common stock.

On May 24, 1985, Co. acquired Ellman's, Inc. through a tender offer for all of its outstanding common shares.

As of Jan. 3, 1987 sold for cash McHOW subsidiary and all related inventory.

Business: Co. is engaged, through its 334 catalog stores, in the sale of a broad line of jewelry, diamonds, housewares, small appliances, giftware, silverware, cameras, luggage, radios, televisions, and other home electronic toys, sporting goods. Computerware, home improvement goods, plant and garden supplies, fine jewelry and giftware, and lingerie are offered through the companies subsidiaries.

Property: Co. stores are located as follows:

N.Y. (20)	Tenn. (18)
Tex. (34)	Nev. (1)
Ala. (8)	Ariz. (2)
Ark. (4)	Cal. (12)
Colo. (8)	Conn. (4)
Del. (2)	Fla. (39)
Ga. (16)	Ill. (23)
Ind. (15)	Ia. (1)
Kans. (4)	Ky. (8)
La. (14)	Me. (6)
Md. (3)	Mass. (10)
Mich. (10)	Miss. (6)
Mo. (7)	Neb. (2)
N.H. (5)	N.J. (4)
N.M. (2)	N.C. (5)
Oh. (12)	Okl. (8)
Penn. (9)	S.C. (6)
Vt. (1)	W.Va. (1)
Va. (4)	

Subsidiaries

The Computer Shoppe, Inc.
Zinin's

Officers

R. Zimmerman, Chmn., Pres. & C.E.O.
S.P. Braud, V.P., Treas. & C.F.O.
G.A. Bodzy, V.P., Sec. & Gen. Coun.

SENIOR SERVICE CORP.

History: Incorporated in Delaware on Nov. 19,

June 4, 1986 Co. acquired Thorndike Press.

May 1, 1987 Co. acquired Library Magna Ltd. for $1,115,789 in cash, 50,000 shs. of valued at $4.25 per sh. and two additallments of approx. $84,500 each in May May 1992.

May, 1987, Co. founded Adult Day Clubs of Inc.

July 10, 1987 Adult Day Cubs of America, acquired Alice Health Care, Inc. of Baltimore, land.

July 1987, Co. acquired all the shares of Alice Care, Inc. for approximately $256,000 in and 1,000 of its com. stk.

Dec. 1987, Co. acquired substantially all the of Senior Citizens Marketing Group, Inc. purchase price consisted of $500,000 in cash, a 000 promissory note and up to 51,000 shares com. stk., payable after the closing.

June 1988, CO. acquired The Golden Years News, Inc. for $1,100,000, notes and comstockand an additional $1,000,000 contingent future earnings.

November 1988, acquired all of the issued outstanding stock of SEI Publishing Corp., a ado publisher for $328,807.

Joint Venture: In Feb. 1988, the company entered into an Agreement of Joint Venture with Holiday Inn Adult Day Care, Inc., a subsidiary of Holiday Inns, Inc. The joint venture was formed the purpose of leasing, equipping and operating ties in project sites to provide adult day care related services to senior citizens. Each joint turer will make an initial capital contribution of 000 ($120,000 contributed as of May 31, 1988) such additional contributions as the venture require in proportion to their respective per-

Business: Co. operates in two business segments: The Publishing Information Group, which includes publishing of large print books for the visually impaired, and a direct mailing company specializing in the senior adult market and The Health and Hospitality Group, which provides services to the senior adult market in the form of day care and nursing staffing services.

Properties: Co.'s executive offices are located in Conn., and Co. leases space in Unity,

Subsidiaries

Thorndike Press
Library Magna Books, Ltd.
Adult Day Clubs of America, Inc. (88.5%)
Alice Health Care, Inc.
Senior Citizens Marketing Group, Inc.

Officers

Thompson, Jr., Chmn., Pres. & Chief Exec.

DeSanctis, Exec. Vice-Pres. & Chief Oper. Off.
DiGiacomo, Vice-Pres. & Chief Fin. Off.
Thompson, Vice-Pres. & Sec.

Directors

Thompson, Jr.	Jerry Schneider
Thompson	D.L. Wagner
Shulman	W.M. Fiederowicz
Hamlet	J.E. Last
Luke	

Auditors: BDO Seidman

Legal Counsel: Cummings & Lockwood.

No. of Stockholders: Aug. 16, 1989, 156.

No. of Employees: Aug. 1, 1986, 13.

Address: 354 Nod Hill Road, Wilton, CT 06897. (203) 834-1644.

Consolidated Income Account, years ended May 31 ($000):

	1989	1988	1987
Sales	9,481	6,411	3,523
Cost of sales	4,833	3,243	1,765
Sell., gen. & admin. exp.	5,111	2,971	1,563
Int. & dividend inc.	537	578	81
Interest exp.	238	30	63
Other income etc.	209	*dr*159	*dr*83
Special items	2,421	....	....
Inc. bef. taxes, etc.	*dr*2,374	584	129
Income taxes	*cr*115	249	61
Fr. discont. oper.	*d*2,090	10	......
Extraord. item	....	....	59
Net income	*d*4,350	345	128
Prev. retain. earns.	324	*d*21	
Retained earns.	*d*4,025	324	
Earn. Com. Share:			
Primary:			
Contin. oper.	*d*$0.32	$0.06	$0.03
Discont. oper.	*d*0.29	......	......
Extraord. item	......	......	0.03
Net income	*d*$0.61	$0.06	$0.06
Fully diluted:			
Contin. oper.	......	$0.05	$0.02
Extraord. item	......	......	0.02
Net income	......	......	0.04
Shares (000):			
...d	7,228	6,953	
...e:			
Primary	7,073	5,996	
Fully diluted	......	6,803	

Consolidated Balance Sheet, as of May 31 ($000):

	1989	1988
Cash	8,198	5,720
Short-term invest.	727	1,660
Receiv.	1,511	1,241
Inventories	1,303	891
Refundable inc. tax	225	......
Other curr. assets	686	828
Total current	12,650	10,340
Prop. & equip.	1,636	1,129
Less: Accum. deprec.	518	356
Prop. & equip., net	1,118	773
Goodwill	3,370	2,428
Other assets	634	633
Def. chgs.	545	443
Total	18,317	14,617
Liabilities:		
Accts. pay. & accr. exp.	1,921	1,339
Debt due	409	68
Inc. taxes payable	......	207
Other current liab.	185	190
Total current	2,515	1,804
[2]Long-term debt	6,293	616
Other liab.	956	33
Minority interest	1	7
Pref. stk. ($0.01)	[1]......	[1]......
Common stock ($0.02)	145	139
Additional paid-in cap.	12,446	11,607
Retained earn.	*d*4,025	324
Currency trans. adj.	*d*14	86
Total stkhldrs' equity	8,551	12,156
Total	18,317	14,617
Net current assets	10,135	8,537

[1]Amounted to $10. [2]Net of discount: 1989, $493,000; 1988, $45,625

Note: Above 1988 and 1987 financial statements have been reclassified to conform to 1989 presentation.

Long-Term Debt: Outstg. May 31, 1989, $6,701,770 comprising:

(1) $5,834,407 5½% conv. subord. notes due June 30, 1992. Notes are convertible beginning 12 months after the closing at the election of the holder at a price $5 per sh. Notes are callable by Co. if theprice of Com. stk. exceeds $7.50 per sh. at 107.5.

(2) $153,482 mortgage payable.

(3) $661,218 notes payable.

(4) $52,663 other debt.

Capital Stock: 1. Senior Service Corp. voting preferred; par $0.01:

AUTHORIZED — 1,000 shares; outstg., May 31, 1989, 1,000 shares; par $0.01.

VOTING RIGHTS — Entitled to elect ⅗ of the Board of Directors until Oct. 31, 1991. Holders have no other voting rights and are not entitled to receive any dividends.

2. Senior Service Corp. common; par $0.02:

AUTHORIZED — 20,000,000 shares; outstg., May 31, 1989, 7,227,938 shares; reserved for options, 711,350 shs.; reserved for warrants, 2,323,450 shs.; par $0.02.

VOTING RIGHTS — Entitled to one vote per share. No preemptive, conversion, or redemption rights.

OFFERED — (700,000 units) at $6.00 per unit (proceeds to Co., $5.40 per unit) on Dec. 2, 1986 thru D.H. Blair & Co., Inc. and associates. Each unit consists of three shares of common stk. and three redeemable Class A Warrants. Each Class A Warrant entitles the holder to purchase one sh. of com. stk. and one redeemable Class B Warrant at $3.25 expiring Dec. 2, 1991. Each Class B Warrant entitles the holder to purchase one sh. of com. stk. at $5 until Dec. 2, 1992.

TRANSFER AGENT & REGISTRAR — American Stock Transfer Company, N.Y.C.

LISTED — On Boston SE. Symbol — SNR (NASDAQ Symbol: SENR).

PRICE RANGE —	1989	1988	1987
High	5¾	7¼	5¾
Low	2½	4¼	2¾

Warrants: Outstg., May 31, 1989, warrants to purchase 2,323,450 common shares as follows:

(1) 2,318,200 cl. B warrants to purchase 1 com. sh. each at $5 a sh., expiring Dec. 2, 1992.

(2) 5,250 com. shs. at $1.00 per sh. expiring June 4, 1991.

SEQUA CORP.

History: Incorporated in Delaware, March 28, 1929, as General Printing Ink Corp.; Name changed to Sun Chemical Corp. on Nov. 28, 1945; present name adopted on May 8, 1987. For other acquisitions prior to 1960, see Moody's 1960 Industrial Manual.

In 1960 acquired Artistic Mfg. Co., Inc., Stamford, Conn., (sold in 1974); Dyna-Foam Corp., Ellenville, N.Y., (dissolved 1964); and business of Carbo Chemical Co., Pawtucket, R.I. (dissolved 1964).

On Nov. 30, 1960, General Printing Ink Co., Inc. (N.Y.), former subsidiary, was dissolved.

In Apr. 1966, acquired Tousey Varnish Co., Northlake, Ill., for $3,650,000 cash.

In June 1967 acquired Varnish Products Co. for 4,147 shares of 5% second pfd. stock.

On Jan. 29, 1968 sold the assets of Industrial Coatings Division.

In Dec. 1968 acquired Federal Color Laboratories, Inc., Cincinnati, O., for 302,030 common shares.

In Dec. 1969, acquired 241,500 shs. (over 10%) of Standard Kollsman Industries, Inc. for about $11 a sh.

On Dec. 30, 1970 acquired Web Press Engineering, Inc., Chicago, and Logic Systems Inc.

On Nov. 1, 1971 acquired Sta-Hi Corp. Newport Beach, Cal.

In Sept. 1972 acquired 80% interest in Societe France Couleurs, S.A. for cash.

On Dec. 29, 1972 merged Standard Kollsman Industries, Inc. thru exchange of 1 com. sh. for each 4½ Standard Kollsman shs.

In Apr. 1973 acquired 25% interest in Ault & Wiborg Group Ltd. Under deal, Ault & Wiborg will acquire British Printing Ink Co., a Co. subsidiary, and a license to manufacture and sell Co.'s Suncure ultraviolet cured printing inks (acquired additional 15% interest in 1974 and 2% in 1977.)

In Apr. 1973 acquired 83.9% interest in Baglini, S.p.A., Italy for an undisclosed cash sum (acquired additional 13.7% in 1976).

In Sept. 1973 acquired 80% interest in Societe Encres Dresse, Belgium, for cash.

In Apr. 1974, Encres Dresse subsidiary acquired Dambrame, Belgium for cash (acquired additional 10% in 1976).

In Dec. 1974, sold Artistic Division, manufacturer of ribbons and bows.

In Jan. 1975, sold Warwick Chemical (Yorkshire) Ltd.

In Feb., 1979, acquired a 5.2% interest in Chromalloy American Corp. Interest increased to 18% subsequently in 1979.

In Feb. 1982, Co. increased its interest in Chromalloy American Corp. to 36.1% by purchasing a total of 297,100 shs. for $5,500,000 between Oct. 23, 1981 thru Jan. 14, 1982. (Acquired remaining shs. in Dec. 1986).

In Feb. 1986, sold its Venezuelan printing ink subsidiary for $4,000,000.

In Jan. 1987, Co. completed the sale of its graphic arts materials group to Dainippon Ink and Chemicals, Inc., for approximately $550,000,000 in cash.

In Mar. 3, 1987, Co. acquired Litho-Strip Co. a division of Amsted Industries Inc. with plants in Chicago and Houston , also in 1987, acquired Jet Services West and Malichaud et Cie for at total purchase price of approximately $36,000,000.

In Dec. 1987, Co. acquired Atlantic Research Corp. for $307,000,000.

Also, in 1987, Co. sold K-G. Retail chains of mean's specialty stores.

On Jan. 5, 1988, Co. and Atlantic Research Corp. merged, following the conclusion of Co.'s $31 per share cash tender offer for Atlantic Research shares. In the offer, which expired on Dec. 21, 1987, Co. received valid tenders which, when coupled with shares already owned by Co., amount to approximately 94% of Atlantic Research shares. Atlantic Research stockholders who did not tender their stock but who surrender their shares in the merger will receive $31 per share in cash. Under the merger, Atlantic Research Corp. becomes a wholly owned subsidiary of Co.

In Mar. 1988, sold Chromalloy American Insurance Group, Inc. with Resolute Holdings, Inc.

In 1988, Co. purchased all of the common stock of Sequa PLC. for $24,400,000.

Also, in 1988, Co. sold Woolley Tool & Manufacturing Division in the engineered services business.

In 1989, sold its land transportation division with the sale of its Transit Management Services Division, Muncie Reclamation & Supply Division, Hausman Bus Sales & Parts Division and National Seating Co.

Also in 1989, sold its Teleproducts Division.

In 1989, Co.'s wholly-owned subsidiary, Chromally Gas Turbine Corp., purchased the business and assets of Aero Cast, Inc., Aerodyne Investments Castings , Inc., Caval Tool & Machine Co., Inc., DRB Industries, Inc., H7H Parts Co., Inc. and The Stalker Corp. for $70,000,000.

On Dec. 12, 1989, sold a majority interest in Atlantic Research Corp. to Chromalloy Gas Turbine Corp.

In March 1990, sold its Tempest Products unit.

Business: Co. is engaged in producing and selling a broad range of products and services through operating companies in six consolidated industry segments: Aerospace, Transportation, Machinery and Metal Coatings, Specialty Chemicals, Professional Services and Other Products, and Financial Services.

Property: Company leases 61,000 sq. ft. of corporate office space in New York, N.Y.; Hackensack, N.J.; and Cincinnati, Oh.

Aerospace — The Kollsman operation owns two plants in New Hampshire with aggregate floor space of 400,000 sq. ft. and leases five other facilities aggreagting 174,000 sq. ft. Also owns a 23,000 sq. ft. manufacturing ficility in Wichita, Kan. and leases 12 domestic and one foreign facility aggregating 183,000 sq. ft.

The Chromalloy Gas Turbine Corp. operates 60 plants in twelve states and seven foreign countries with aggregete floor space of approx 3,500,000 sq. ft.

Rocket propulsion operations lease two principal manufacturing facilities, a 421 acre site in Gainsville, Va. and a 1,014 acre site in Camden, Ark. Also leases 169,000 sq. ft of administrative and manufacturing space in Ala., Calif. and Va.

Machinery and Metal Coatings — The can-forming and decorating operations own two plants in the United States with aggregating floor space of 228,000 sq. ft and leases one small warehouse facility of approx. 5,000 sq. ft. In Europe, owns a plant with aggregate floor space of approx. 57,000 sq. ft. The Precoat Metals operations owns five manufacturing facilities in Mo., Ill. and Tex. with a total of 500,000 sq. ft of space. An additional 75,000 sq. ft is leased in Ill.

Specialty Chemicals — The Specialty Chemicals segment owns one plant in South Carolina aggregatin 155,000 sq. ft. of space. In addition, the segment owns two plants in the United Kingdom with aggregate floor space of 190,000 sq. ft.

Transportation — Sequa's barge business operates in excess of 900 barges; 23 tow boats and 9 tugs. Also utilizes approx. 300,000 sq. ft. of Terminal and Maintenance facilities on approx. 300 acres of land. The barge group leases approx. 16,000 sq. ft. of office space in St. Louis, New Orleans nas New York.

Sabine owns six United States flag deep-ses tankers and operates 15 tow boats and 39 tank barges. Also owns nine harbor tugs, and approx. 82,00 sq. ft. of space in Port Arthue, Tex.

Professional Services and Other Products — The Professional Services Group operates in 58 locations witha total of approx. 620,000 sq. ft. of space.

The engineered services businesses operate two manufacturing facilities in La. and W. Va. In addition, they also lease seven and own two sales, administrative and warehouse facilities totaling approx. 42,000 sq. ft.

The automotive products subsidiary, Casco owns a 268,000 sq. ft. plant in Conn.

Financial Services — Sequa Capital Corp. utilizes 13,000 sq. ft. of leased office space in New York City and two satellite offices totalling 1,500 sq. ft. in Englewood Cliffs, N.J. and Baltimore, Md. The Centor Co., a wholly-owned subsidiary, owns and operates the Chromalloy Plaza Building in Clayton, Mo.

Subsidiaries

Atlantic Research Corporation
Chromallory Gas Turbine Corporation
Casco Products Corp.
Kollsman Avionics
Kollsman Military Systems
Kollsman Systems Management
Arkansas Propulsion Division
Virginia Propulsion Division
Teleproducts Division
Systems & Applied Sciences Corporation
Rutherford Machinery Division
Materiels Equipments Graphiques
Precoat Metals Division
Stundum Canforming Systems
Marine Transportation Corp.
The Valley Line Company
Sabine Towing and Transportation Co.
Sequa Chemicals, Inc.
Warwick International Ltd.
Sturm Machine Company
Sequa Capital Corporation
SunRise Insurance Limited

Officers

N.E. Alexander, Chmn. & Chief Exec. Off.
R.E. Davis, Pres. & Chief Oper. Off.
S.Z. Krinsly, Senior Exec. Vice-Pres. & Gen. Counsel
G.S. Gutterman, Exec. — Vice-Pres., Fin. & Admin.
Harry Brill-Edwards, Senior Vice-Pres.
D.M. Libutti, Senior Vice-Pres.
Martin Weinstein, Senior Vice-Pres.
R.H. Wright, Senior Vice-Pres.
K.A. Drucker, Vice-Pres. & Treas.
W.P. Ksiazek, Vice-Pres. & Contr.
I.A. Schreger, Sec.

Vice-Presidents

W.E. Morris	D.J. O'Brien
L.G. Kyriakou	S.W. Rosen
J.J. Quicke	D.S. Bunin
J.C. Allwarden	R.P. Schneider
Monroe Adlman	

Directors

Alvin Dworman	N.E. Alexander
S.Z. Krinsly	Gerald Tsai, Jr.
F.R. Sullivan	A.L. Fergenson
D.S. Gottesman	R.S. LeFrak
Raymond Frankel	D.D. Kummerfeld
R.E. Davis	

Auditors: Arthur Andersen & Co.

Annual Meeting: In April

No. of Stockholders: Dec. 31, 1989, 8,000.

No. of Employees: Dec. 31, 1989, 17,700.

Executive Office: 200 Park Ave., New York, NY 10166. **Tel.:** (212) 986-5500. **Fax:** (212) 370-1969. **Telex:** 14-7236.

Consolidated Income Account, years ended Dec. 31 ($000):

	1989	[1]1988	[1][2]1987
Net sales	1,602,118	1,411,894	1,025,378
Operating revenues	301,745	299,547	132,512
Financial servs revs	55,292	31,305	12,807
Tot net sales & revs	1,959,155	1,742,746	1,170,697
Cost of goods sold	......	......	756,120
Cost of sales	1,223,814	1,042,579	......
Cost of oper revs	239,457	247,619	108,090
Cost of financial servs revs	32,166	17,562	[3]6,203
Selling, gen & admin	269,072	255,587	172,973
Total costs & exps	1,764,509	1,563,347	1,043,386
Operating income	194,646	179,399	127,311
Interest expense	60,942	61,387	36,927
Interest income	5,059	5,263	11,346
Loss on sale of minor int	*dr*15,109	......	......
Net loss on invest portfolio	......	......	*dr*21,100
Other, net	*dr*12,146	*dr*1,476	*dr*548
Tot other inc (exp)	*dr*83,138	*dr*57,600	*dr*47,229
Inc bef income taxes	111,508	121,799	80,082
Prov for inc taxes	51,000	49,072	27,622
Inc fr contin opers	60,508	72,727	52,460
Loss fr discont opers	*dr*4,637	*dr*4,080	*dr*5,262
Net income	55,871	68,647	47,198
Prev retained earns	418,317	359,629	322,583
Cash divs: Class A	3,793	4,063	4,185
Cash divs: Class B	1,844	1,938	1,941
Cash divs: Preferred	3,841	3,958	4,026
Retained earns	464,710	418,317	359,629
Earn com sh:			
Primary:			
Cont oper	$5.55	$6.42	$4.43
Discont opers	*d*$0.45	*d*$0.38	*d*$0.48
Net income	$5.10	$6.04	$3.95
Fully diluted:			
Cont oper	$5.39	$6.20	$4.38
Inc fr discont opers	*d*$0.41	*d*$0.35	*d*$0.44
Net income	$4.98	$5.85	$3.94
Common shares (000):			
Year-end	9,842	10,312	10,690
Average:			
Primary	10,213	11,735	10,932
Fully diluted	11,217	11,245	11,986

[1]Restated to reflect discontinued operations
[2]Restated to reflect adoption of SFAS No. 94
[3]Incl interest expense of: 1987 $1,817,000

Consolidated Balance Sheet, as of Dec. 31 ($000):

Assets:	1989	[1]1988
Cash & cash equivalents	83,303	64,174
Short-term investments	3,585	4,659
Receivables	229,830	200,055
Unbilled receivables, net	151,226	84,438
Inventories, net	305,530	259,970
Net assets of discont opers	31,462	100,835
Invest in leasing assets	59,586	31,709
Other current assets	80,093	39,797
Total current assets	944,615	785,637
Invest in leasing assets	337,768	238,153
Non-current receivables	68,479	48,954
Other investments	47,145	23,137
Total investments	453,392	310,244
Deferred charges & other	24,061	16,051
Excess of cost over assets of cos acquired	395,219	403,680
Total other assets	419,280	419,731
Total assets	2,344,306	1,961,290
Liabilities:		
Bank loans & notes pay	1,432	43,113
Curr matur of lg tm debt	44,562	37,916
Accounts payable	169,387	142,170
Taxes on income	17,606	597
Accrued expenses	217,525	202,604
Total current liabil	450,512	426,400
Lg tm debt, net of curr matur	922,572	630,767
Deferred taxes on income	83,936	51,089
Other liabilities	182,239	152,543
Tot defer crs & other liabil	266,175	203,632
Pfd stock-$5 cum conv	[2][3]797	[2][3]797
Class A common stock	[4]7,042	[4]7,042
Class B common stock	[5]3,873	[5]3,873
Cap in excess of par value	301,165	302,929
Cum translation adj	*cr*462	*cr*4,352
Retained earnings	464,710	418,317
Total	778,049	737,310
Less: cost of treasury stk	*dr*73,002	*dr*36,819
Total shholders' equity	705,047	700,491
Total liabil & stk eq	2,344,306	1,961,290
Net current assets	494,103	359,237

[1]Restated to reflect discontinued operations [2]Par value: $1.00; Auth shs: 1,825,000; Issued: 1989 797,000 ; 1988 797,000 [3]Involuntary liquidation value: 1989 $31,596,000 ; 1988 $33,171,000 [4]Par value: none; Auth shs: 25,000,000; Issued: 1989 7,042,000 ; 1988 7,042,000 [5]Par value: none; Auth shs: 5,000,000; Issued: 1989 3,873,000 ; 1988 3,873,000 ed for operations discontinued in 1988.

Long Term Debt: 1. Sequa Corp. 10½% senior subordinated notes, due 1998:

Rating — Baa3

AUTH. — $250,000,000; outstg., Dec. 31, 1989, $250,000,000.
DUE — May 1, 1998.
INTEREST — M&N1.
CALLABLE — As a whole or in part beginning May 1, 1993 at 104.67.
OTHER DETAILS — Not reported.
LISTED — On New York Stock Exchange.
OFFERED — $250,000,000 on Apr. 27, 1988 thru Drexel Burnham Lambert Inc. & Bear Sterns & Co. Inc. and associates.
PRICE RANGE —

	1989	1988
High	100½	101
Low	100½	98

2. Sequa Corp 9⅝ Notes, due 1999:

Rating — Baa2

AUTH — $150,000,000; outstg. Dec. 31, 1989, $150,000,000.
DATED — Oct. 15, 1989. DUE — Oct. 15, 1999.
INTEREST — A&O 15 to holders registered M 31 & S 30.
TRUSTEE — The First National Bank of Chicago.
DENOMINATION — Fully registered, $1,000 and integral multiples thereof. Transferable and exchangeable without service charge.
CALLABLE — Not callable prior to maturity.
SECURITY — Not secured. Rank prior to all subordinated indebtedness of Co. and pari passu with all other unsecured and unsubordinated indebtedness of Co. Co. or any restricted subsidiary will not create, incur, issue or assume any indebtedness secured by any lien on any physical property owned by Co. or any wholly-owned domestic subsidiary, and Co. will not itself, and will not permit any subsidiary to, create, incur, issue [illegible] any indebtedness secured by any lien [illegible] shares of stock or indebtedness of any [illegible] owned domestic subsidiary which owns [illegible] cal property, without equally and ratably [illegible] the indenture securities, unless after giving [illegible] thereto the aggregate principal amount of [illegible] secured indebtedness then outstanding [illegible] attributable debt of Co. and its wholly [illegible] domestic subsidiaries in respect of sale and [illegible] back transactions involving physical [illegible] entered into after the date of the first [illegible] indenture securities, other than such [illegible] as are permitted as described in clause (b) [illegible] Sale and Leaseback would not exceed 5% [illegible] solidated net tangible assets.
SALE AND LEASEBACK — So long [illegible] indenture securities are outstanding under [illegible] indenture, Co. or, any wholly-owned domestic [illegible] sidiary will not enter into any sale and [illegible] transaction after the date of the first [illegible] indenture securities covering any principal [illegible] erty, which was or is owned or leased by Co. [illegible] subsidiary and which has been or is to be [illegible] transferred more than 120 days after the [illegible] tion of construction and commencement [illegible] operation thereof, unless (a) the attributable [illegible] of Co. and its wholly-owned domestic [illegible] in respect thereto and all other sale and [illegible] transactions entered into after the date of the [illegible] issuance of indenture securities, plus the [illegible] principal amount of indebtedness secured [illegible] on physical properties then outstanding [illegible] equally and ratably securing the indenture [illegible] ties, would not exceed 5% of consolidated [illegible] gible assets, or (b) an amount equal to the [illegible] of the net proceeds of such sale or transfer [illegible] fair value of such physical property is [illegible] within 120 days to the voluntary retirement [illegible] indenture securities or other indebtedness of Co. [illegible] indebtedness of a wholly-owned domestic [illegible] ary, for money borrowed, maturing more than [illegible] months after such application.
INDENTURE MODIFICATION — Indenture may be modified, except as provided, with consent of 66⅔% of notes outstg.
RIGHTS ON DEFAULT — Trustee, or [illegible] notes outstg., may declare principal due and payable (30 day's grace for payment of interest).
PURPOSE — Proceeds will be added to the general funds of Co. and may be used to repay [illegible] standing debt and to meet capital expenditures and working capital requirements.
OFFERED — ($150,000,000) at 99.75 plus accrued interest (proceeds to Co., 99.10) on Oct. [illegible] thru Merrill Lynch Capital Markets; Bear, [illegible] & Co. Inc.; J.P. Morgan Securities Inc.; [illegible] Lehman Hutton Inc. and associates.

3. Other Long-Term Debt: Outstg. Dec. 31, [illegible] $567,134,000 comprised of:
Debt fo operations excluding Financial Services:
(1) $50,000,000 10.27% private placement [illegible] 1994.
(2) $52,500,000 8.9% Euro-commercial paper.
(3) $28,650,000 9½% uncommitted [illegible] credit.
(4) $34,195,000 9.47% Insurance Co. [illegible] ble thru 1998.
(5) $50,488,000 10.88% United States [illegible] ment-insured Merchant Marine bonds payable [illegible] 2005.
(6) $20,000,000 11.49% term loans due [illegible]
(7) $16,562,000 7.9% average interest [illegible] mortgage notes payable and equipment [illegible] of thru 2013.
(8) $26,931,000 8.4% other long-term [illegible] ble in varying amounts through 2003.
Debt of Financial Services:
(9) $126,000,000 9.7% revolving credit [illegible] ment.
(10) $82,492,000 9.4% average interest [illegible] mercial paper and money market lines.
(11) $17,500,000 9.9% average interest [illegible] vate placement.
(12) $39,316,000 10.2% average interest [illegible] loans, due 1990 thru 1993.
(13) $22,500,000 10.3% subord. term [illegible] 1992 thru 1996.

In June 1989, Co.'s Capital Corp. [illegible] owned subsidiary in the Financial [illegible] ment, entered into a commercial paper [illegible] with Manufactures Hanover Securities [illegible] the issuance of up to $100,000,000 [illegible] financing at prevailing interest rates [illegible] not exceeding 9 months. At Dec. [illegible] $62,377,000 of commercial paper was [illegible] under this agreement.

In Sept. 1989, the Co. initiated a [illegible] cial paper program which makes available [illegible] Co. up to $200,000,000 in short-term [illegible] prevailing interest rates for periods [illegible] to 365 days. At Dec. 31, 1989, $52,500 [illegible] standing.

In Sept., 1989, Co. Capital Corp. [illegible] into a 39-month, $300,000,000 revolving [illegible] agreement with a group of banks. [illegible] replaced an existing $150,000,000 [illegible] facility with substantially the [illegible] banks. The rate of intereest payable [illegible] credit agreement is, at Co.'s Capital [illegible] option, a function of either the [illegible] LIBOR or the domestic certificate [illegible] The agreement requires Co.'s Capital [illegible] to pay a commitment fee at [illegible] 0.375% on the unused portion [illegible] Dec. 31, 1989, $126,000,000 was [illegible] this facility.

|GHTS — Entitled to elect 3/5 of the |rectors until Oct. 31, 1991. Holders |r voting rights and are not entitled to |ividends.

|ervice Corp. common; par $0.02:
ED — 20,000,000 shares; outstg., May |953,300 shares; reserved for options, re d for warrants, 2,367,700 shs.;

IG.. — Entitled to one vote per |reemptive, conversion, or redemption

— (700,000 units) at $6.00 per unit Co., $5.40 per unit) on Dec. 2, 1986 |lair & Co., Inc. and associates. Each of three shares of common stk. and |able Class A Warrants. Each Class A |itles the holder to purchase one sh. of |d one redeemable Class B Warrant at |g Dec. 2, 1991. Each Class B Warrant |holder to purchase one sh. of com. stk. |ec. 2, 1992.

AGENT & REGISTRAR — Ameri- |ransfer Company, N.Y.C.
On Boston SE. (NASDAQ Symbol:

GE —	1988	1987
......	7¼	5¾
......	4¾	2¾

Outstg., May 31, 1988, warrants to |67,700 common shares as follows: |,950 cl. B warrants to purchase 1 com. |5 a sh., expiring Dec. 2, 1992. |0 com. shs. at $1.00 per sh. expiring

ORP.

Incorporated in Delaware, March 28, General Printing Ink Corp.; Name Sun Chemical Corp. on Nov. 28, 1945; ne adopted on May 8, 1987. For other prior to 1960, see Moody's 1960 Indus- |l.

acquired Artistic Mfg. Co., Inc., Stam- (sold in 1974); Dyna-Foam Corp., N.Y., (dissolved 1964); and business of |mical Co., Pawtucket, R.I. (dissolved

30, 1960, General Printing Ink Co., Inc. |ner subsidiary, was dissolved.
|1966, acquired Tousey Varnish Co., Nor- for $3,650,000 cash.
1967 acquired Varnish Products Co. for |s of 5% second pfd. stock.
29, 1968 sold the assets of Industrial |ivis
19 quired Federal Color Laborato- C |ati, O., for 303,030 common

1969, acquired 241,500 shs. (over 10%) |rd Kollsman Industries, Inc. for about

30, 1970 acquired Web Press Engineer- |hicago, and Logic Systems Inc.
1, 1971 acquired Sta-Hi Corp. Newport

1972 acquired 80% interest in Societe |uleurs, S.A. for cash.
29, 1972 merged Standard Kollsman Inc. thru exchange of 1 com. sh. for |tandard Kollsman shs.
1973 acquired 25% interest in Ault & |roup Ltd. Under deal, Ault & Wiborg |re British Printing Ink Co., a Co. subsidi- a license to manufacture and sell Co.'s |ltraviolet cured printing inks (acquired 15% interest in 1974 and 2% in 1977.)
1973 acquired 83.9% interest in Baglini, |ly for an undisclosed cash sum (acquired 13.7% in 1976).
1973 acquired 80% interest in Societe |esse, Belgium, for cash.
1974, Encres Dresse subsidiary acquired |ie, Belgium for cash (acquired additional |76).
1974, sold Artistic Division, manufac- |bbons and bows.
1975, sold Warwick Chemical (York- |l.
1979, acquired a 5.2% interest in Chro- |merican Corp. Interest increased to 18% |ntly in 1979.
1982, Co. increased its interest in Chro- |merican Corp. to 36.1% by purchasing a |97,100 shs. for $5,500,000 between Oct. 23, |Jan. 14, 1982. (Acquired remaining shs. |986).
1986, sold its Venezuelan printing ink |y for $4,000,000.
1987, Co. completed the sale of its |rts materials group to Dainippon Ink and |s, Inc., for approximately $550,000,000 in

|r. 3, 1987, Co. acquired Litho-Strip Co. a |of Amsted Industries Inc. with plants in |an uston, also in 1987, acquired Jet W |d Malichaud et Cie for at total |pr. approximately $36,000,000.
|c. 1987, Co. acquired Atlantic Research |$307,000,000.
|in 1987, Co. sold K-G. Retail chains of |pecialty stores.
|n. 5, 1988, Co. and Atlantic Research Corp. following the conclusion of Co.'s $31 per |ash tender offer for Atlantic Research In the offer, which expired on Dec. 21, |received valid tenders which, when cou- pled with shares already owned by Co., amount to approximately 94% of Atlantic Research shares. Atlantic Research stockholders who did not tender their stock but who surrender their shares in the merger will receive $31 per share in cash. Under the merger, Atlantic Research Corp. becomes a wholly owned subsidiary of Co.

In Mar. 1988, sold Chromallory American Insurance Group, Inc. with Resolute Holdings, Inc.

In 1988, Co. purchased all of the common stock of Sequa PLC. for $24,400,000.

Also, in 1988, Co. sold Woolley Tool & Manufacturing Division in the engineered services business.

Also, in 1988 Co. disposed of ARC's Teleproducts and Tempest Products unit, part of Professional Services & Other Products segments.

Business: Product lines manufactured and sold are graphic arts materials such as printing inks used in commercial printing, publishing and packaging. Organic pigments for printing inks, paints, plastics, textiles and cosmetics.

Co. also produces graphic arts equipment including cylindrical container decorators, two piece can forming equipment and auxiliary press equipment in addition to instruments for use in commercial and governmental aircraft and electro-optical devices, specialty chemicals for the textile, graphic arts, and paper industries; and cigarette lighters for automobiles, trucks and pleasure vehicles.

Property: Company and subsidiaries own or lease plants in United States, Canada, Mexico, Belgium, Italy, France, Venezuela, England, Bermuda, Australia and Germany.

Chemical Division
Chester, S.C. Cincinnati, O.

Graphic Arts Group
Carlstadt, N.J. Northlake, Ill.

Graphic Equipment Group
East Rutherford, N.J. Rancho Dominguez, CA.

Instrument Group
Merrimack, N.H. Nashua, N.H.

Automotive Group
Bridgeport, Conn.

Colors Group
Cincinnati, OH. Muskegon, MI.
Staten Island, NY.

Subsidiaries

Atlantic Research Corporation
Chromalloy Gas Turbine Corporation
Kollsman Avionics
Kollsman Military Systems
Kollsman Systems Management
ARC Group
Arkansas Propulsion Division
Virginia Propulsion Division
Teleproducts Division
Tempest Division
ORI Group
ORI, Inc.
ORI/CALCULON
ORI/INTERCON
Systems & Applied Sciences Corporation
Atlantic Research Services Corporation
Rutherford Machinery Division
Materiels Equipments Graphiques
Precoat Metals Division
Stundum Canforming Systems
Marine Transportation Corp.
The Valley Line Company
Sabine Towing and Transportation Co.
Sequa Chemicals, Inc.
Sequa plc
Warwick International
Gemoco Division
Sturm Machine Company
Sequa Capital Corporation
SunRise Insurance Limited

Officers

N.E. Alexander, Chmn. & Chief Exec. Off.
R.E. Davis, Pres. & Chief Oper. Off.
S.Z. Krinsly, Senior Exec. Vice-Pres. & Gen. Counsel
G.S. Gutterman, Exec. — Vice-Pres., Fin. & Admin.
W.H. Borten, Senior Vice-Pres.
Harry Brill-Edwards, Senior Vice-Pres.
D.M. Libutti, Senior Vice-Pres.
Martin Weinstein, Senior Vice-Pres.
R.H. Wright, Senior Vice-Pres.
K.A. Drucker, Vice-Pres. & Treas.
W.P. Ksiazek, Vice-Pres. & Contr.
W.E. Morris, Group Vice-Pres.
I.A. Schreger, Sec.

Vice-Presidents

D.J. O'Brien	L.G. Kyriakou
S.W. Rosen	J.J. Quicke
Monroe Adlman	D.S. Bunin
J.C. Allwarden	R.P. Schneider

Directors

Alvin Dworman	N.E. Alexander
S.Z. Krinsly	Gerald Tsai, Jr.
F.R. Sullivan	A.L. Fergenson
D.S. Gottesman	R.S. LeFrak
Raymond Frankel	D.D. Kummerfeld
R.E. Davis	

Auditors: Arthur Andersen & Co.

Annual Meeting: In April

No. of Stockholders: Dec. 31, 1988, 12,700.

No. of Employees: Dec. 31, 1988, 16,100.

Executive Office: 200 Park Ave., New York, NY 10166. **Tel.:** (212) 986-5500. **Fax:** (212) 370-1969. **Telex:** 14-7236.

Consolidated Income Account, years ended Dec. 31 ($000):

	1988	1987	[3]1986
Net sales	1,381,700	1,000,148	371,413
Oper. revs.	299,547	132,512	......
Financial services revs.	31,305	12,807	4,881
Cost of sales	1,022,203	739,451	269,719
Cost oper. revs.	247,619	108,090	......
Cost of financial services revs.	17,562	6,203	2,100
Selling, etc., exps.	247,789	167,363	70,817
Oper. income	177,379	124,360	33,658
Interest expense	63,129	36,834	19,576
Interest inc.	5,263	11,346	4,125
Equity in net earns. of Chromalloy	......	......	17,888
Loss on invest. portfolio	......	21,100	......
Other, net	358	d563	d430
Net before taxes	119,871	77,209	35,665
Income taxes	48,327	26,358	7,619
[1]Inc. contin. opers.	71,544	50,851	28,046
Discont. Opers.: Oper. inc.	dr2,897	dr3,653	132,087
Net income	68,647	47,198	160,133
Prev. retain. earns.	359,629	322,583	166,192
Cash dividends:			
Common	......	......	3,742
Cl. A com.	4,063	4,185	......
Cl. B com.	1,938	1,941	......
Pfd.	3,958	4,026	......
Retained earn.	418,317	359,629	322,583
Earn., com. share:			
Primary:			
Contin. oper.	$6.31	$4.28	$3.49
Discont. oper.	d0.27	d0.33	16.41
Net income	$6.04	$3.95	$19.90
Fully diluted			
Contin. oper.	$6.10	$4.24	$3.47
Discont. oper.	d0.25	d0.30	16.37
Net income	$5.85	$3.94	$19.84
Common Shares (000):			
Yr.-end	10,312	10,610	10,819
[2]Average	10,703	10,932	8,047

[1]After $74,199,000; (1987, $46,048,000; 1986, $10,782,000) deprec. [2]Incl. com. equiv. shs. [3]Reflects change in acctg. for pensions and incl. Chromalloy American Corporation from December 23, 1986 date of acq.

Consolidated Balance Sheet, as of Dec. 31 ($000):

	1988	1987
Assets:		
Cash & equiv.	64,174	48,203
Sht.-tm. invest.	4,659	39,290
Receivables, net	195,458	246,551
Unbilled receiv.	84,438	75,139
[1]Inventories	250,486	207,081
Net assets of discontin. opers.	115,589	140,787
Invest. in leasing assets	31,709	12,752
Other assets	39,797	46,224
Total current	786,310	816,027
Property & equip.	597,922	488,909
Less deprec.:	153,902	81,593
Net property & equip.	444,020	407,316
Investments	310,244	163,843
Def. chgs.	16,051	15,000
Excess acq. cost	402,462	365,952
Total	1,959,087	1,768,138
Liabilities:		
Notes, etc., pay.	43,113	49,528
Debt due	37,916	50,352
Accts. payable	140,258	133,011
Taxes	597	7,658
Accruals	202,313	213,161
Total current	424,197	453,710
Long-term debt	630,767	507,088
Def. income taxes	51,089	35,753
Minority int., etc.	152,543	97,584
Pfd. stk. ($1)	797	797
[2]Cl. A com. stk.	7,042	7,043
[3]Cl. B com. stk.	3,873	3,883
Cap. excess par val.	302,929	303,433
Cum. transl. adj.	4,352	11,436
Retained earnings	418,317	359,629
Stkhldrs' equity	737,310	686,221
[4]Reacquired stock	dr36,819	dr12,218
Net stkhldrs' equity	700,491	674,003
Total	1,959,087	1,768,138
Net current assets	362,113	362,317

[1]Lower of cost (lifo) or mkt. [2]No par shs.; 1988, 6,485,810; 1987, 6,810,344. [3]No par shs.: 1988, 3,825,869; 1987, 3,879,615. [4]Shs. at cost: 1988; Cl. A, 556,190; Cl. B. 47,131; 1987: Cl. A, 232,456; Cl. B. 3,385.

Note: Restated for operations discontinued in 1988.

Long Term Debt: 1. Sequa Corp. 10½% senior subordinated notes, due 1998:

Rating — Baa3

AUTH. — $250,000,000; outstg., Dec. 31, 1988, $250,000,000.
DUE — May 1, 1998.
INTEREST — M&N1.
CALLABLE — As a whole or in part beginning May 1, 1993 at 104.67.
OTHER DETAILS — Not reported.
LISTED — On New York Stock Exchange.

OFFERED — $250,000,000 on Apr. 27, 1988 thru Drexel Burnham Lambert Inc. & Bear Sterns & Co. Inc. and associates.
PRICE RANGE — 1988, 101-98.

2. Other Long-Term Debt: Outstg. Dec. 31, 1988, $418,683,000 comprised of:

(1) $41,195,000 9.47% Insurance Co. loan payable thru 1994.

(2) $54,803,000 10.89%-11.5% United States government-insured Merchant Marine bonds payable thru 2005.

(3) $20,000,000 11.49% term loans due 1990.

(4) $25,984,000 7.6% to 7.96% average interest rates mortgage notes payable and equipment obligations of thru 2013.

(5) $50,000,000 short-term borrowing refinanced in March 1989.

(6) $46,350,000 11.2%-9.2% other long-term debt.

(7) $103,000,000 revolving credit agreement.

(8) $62,351,000 10.30% term loans due 1989 thru 1994.

(9) $15,000,000 10.45% subord. term note due 1992 thru 1994.

In May 1988, Co. sold $250,000,000 of 10½% senior subordinated notes due 1998, pursuant to a registered public offering. The proceeds from the offering were utilized to repay the bridge loan incurred to finance the Co.'s acquisition of ARC.

In July 1988, Co. entered into a five-year $250,000,000 revolving term loan agreement with a group of nine banks. The rate of interest payable under the loan agreement is, at the Co.'s option, the prime rate, a function of the Eurodollar rate or a function of the domestic certificate of deposit rate. The agreement does not require the Co. to maintain compensatiing balances. The agreement require the Co. to pay a commitment fee at an annual rate of 19% of the unused credit line. At year-end there were no borrowings oustanding under this facility.

In Sept. 1988, Co. entered into a three-year $100,000,000 receivables purchase agreement with a group of four banks. Under the terms of the agreement, the rate of interest payable on uncollected receivable balances is a function of the Eurodollar rate, and the Co. is required to pay a commitment fee at an anual rate of .2% of the unused purchase agreement. Receivables are sold to the purchasers without recourse, and Co. retains responsibility for collection of the accounts and remittance of the proceeds to the purchasers on a monthly basis. On Sept. 30, 1988, Co. sold $90,000,000 of receivables under this agreement, the proceeds of which were used to repay short-term debt.

In March 1989, Co. entered into a five-year private placement for $50,000,000 of senior notes. The coupon rate on the placement is 10.27%. The proceeds were used to refinance short-term borrowings.

The Co.'s loan agreements, exluding those pertaining to Financial Services, contain covenants which restrict, among other matter, the ability of the Co. to borrow, pay dividends, repurchase common stock, and qwhich require that the Co. maintain certain ratios regarding outstanding debt and net worth.

In addition, certain of Co.'s consolidated and nonconsolidated subsidiaries are also subject to restrictions. Loans, advances and cash dividends to the parent are limited under covenants contained in their respective loan agreements and, to a much lesser extent, foreign government regulations.

Debentures Retired: Entire issue of Sequa Corp. subordinated debenture 11¼s, due 1996 were called for redemption on Dec. 1, 1988 at 100 thru Continental Illinois National Bank and Trust Company, Chicago, Ill.

Capital Stock: 1. Sequa Corp. $5 cumulative convertible preferred; par $1:
AUTH. — 1,825,000 shares; outstg., Dec. 31, 1988, 780,902 shares; in treas., 16,098 shs.; par $1.
DIVIDEND RIGHTS — Entitled to cumulative dividends of $5 per sh. per annum.
DIVIDEND RECORD — Initial dividend of $1.25 paid Feb. 1, 1987; regular quarterly dividends paid thereafter.
CALLABLE — At option of Co. at $100 per sh.
CONVERTIBLE — Each sh. in convertible into 1.322 shs. of Class A common.
ISSUED — Issued in connection with merger of Co. and Chromalloy American Corp.
LISTED — On New York Stock Exchange (Symbol: SQA Pr)
PRICE RANGE — 1987, 115½-64; 1986, 93-92.

2. Sequa Corp. Class A common; no par:
AUTHORIZED — 25,000,000 shares; outstanding, Dec. 31, 1988, 6,485,810 shares; in treas., 556,190 shs.; reserved for options, conversion of preferred and Class B common stock, 5,156,166 shares; no par.
DIVIDEND RIGHTS — For a period of five years commencing Jan. 1, 1987, annual dividends, if any, on Class A common will be at least $0.10 more per sh. than Class B common dividends.
DIVIDENDS —

On Old Common Stock

On no par shares:

1929	$1.875	1930-31	$2.50	1932	$0.25
1933	0.15	1934	1.00	1935	2.00
1936	5.00	1937	0.60		

On $1 par shares:

1937	0.90	1938	0.50	1939	0.80
1940	0.60	1941	0.65	1942	0.30
1943-44	0.40	1945	0.45	1946-47	0.60
1948	0.50	1949	0.40	1950	0.90
1951-54	0.75	1955	0.85	1956	0.90
1957	0.80	1958	0.70	1959-61	0.60
1962-76	0.40				

On $1 par shs. after 3-for-2 split:

1977	0.45	1978	0.60	1979	0.45

On $1 par shs. after 4-for-3 split:

1979	0.15	1980	0.60	1981	0.18

On $1 par shs. after 3-for-2 split:

1981	0.36	1982-86	0.48

On Class A common

1987-88	0.60	[1]1989	0.30

[1]To July 3.

DIVIDEND RESTRICTIONS — See long term debt above.
VOTING RIGHTS — Has one vote per share.
PREEMPTIVE RIGHTS — None.
TRANSFER AGENT & REGISTRAR — Manufacturers Hanover Trust Co., NYC.
LISTED — On New York Stock Exchange (Symbol: SQA A).

PRICE RANGE —	1988	1987	1986	1985	1984
High	69¾	88⅜	69	39	33
Low	49⅝	40¾	65	28⅜	24¼

3. Sequa Corp. Class B common; no par:
AUTHORIZED — 5,000,000 shares; outstanding Dec. 31, 1988, 3,825,869 shares; treas., 47,131 shs.; reserved for options 44,516 shares; no par.
VOTING RIGHTS — Has ten votes per share.
CONVERTIBLE — Convertible into Class A common stk. on a sh.-for-sh. basis.
DIVIDENDS —

1987-88	$0.50	[1]1989	$0.25

[1]To July 3.

LISTED — On New York Stock Exchange (Symbol: SQA B).

PRICE RANGE —	1988	1987	1986
High	72	91½	71¾
Low	51½	42¾	68¼

Recapitalization: In Dec. 1986, stockholders approved a proposal to authorize 25,000,000 shares of Class A common and 5,000,000 shares of Class B common and each outstanding common share was converted into a one-half share of Class A and one-half share of Class B common.

SERVICE MERCHANDISE CO., INC.

History: Inc. in Tenn. in Jan. 1970 to succeed to catalog and showroom merchandising business founded in Sept. 1960.

On July 30, 1971, acquired, in pooling of interests transactions, outstg. capital stock of 7 affiliated Cos. in exchange for 484,287 com. shs.

In Apr. 1974, acquired 7 catalog showrooms operations of Malone & Hyde, Inc. for about $10,000,000 in cash and notes.

In July acquired 2 Sam Solomon Co. stores in Charlotte, N.C., for undisclosed terms.

On Aug. 10, 1982, acquired Sam Solomon Company in a stock transaction valued at $10,233,000.

On May 3, 1983, acquired The Computer Shoppe, Inc. for 100,000 shs. of Co.'s com. stk.

In July 1983, acquired Home Owners Warehouse, Inc. for 663,000 Co. com. shs.

On May 8, 1985, Co. acquired H.J. Wilson Co., Inc. through a tender offer for all of the outstanding shares of its common stock.

On May 24, 1985, Co. acquired Ellman's, Inc. through a tender offer for all of its oustanding common shares.

As of Jan. 3, 1987 sold for cash McHOW subsidiary and all related inventory.

Business: The Co. is engaged, through its catalog showrooms, in the sale of a broad line of jewelry, diamonds, housewares, small appliances, giftware, silverware, cameras, luggage, radios, televisions, and other home electronic toys, sporting goods. Computerware, home improvement goods, plant and garden supplies, fine jewelry and giftware, and lingerie are offered through the companies subsidiaries.

Property: Co. and subsidiaries maintains facilities as follows:

N.Y. (19)	Tenn. (27)
La. (13)	Tex. (24)
Nev. (2)	Ala. (9)
Ariz. (2)	Ark. (4)
Cal. (14)	Colo. (7)
Conn. (3)	Del. (2)
Fla. (34)	Ga. 16)
Ill. (21)	Ind. (4)
Ia.	Kans. (4)
Kent. (9)	Me. (6)
Md. (2)	Mass. (9)
Mich. (10)	Miss. (6)
Mo. (6)	Neb.
N.H. (4)	N.J. (4)
N.M. (2)	N.C. (5)
Oh. (11)	Okl. (8)
Penn. (8)	S.C. (7)
Vt.	W.Va.

Subsidiaries

The Computer Shoppe, Inc.
Zinin's

Officers

Raymond Zimmerman, Chmn., Pres. & Chief Exec. Off.
H.I. Levy, Exec. Vice-Pres.
G.A. Bodzy, Vice-Pres., Sec. & Gen. Coun.
S.P. Braud Vice-Pres., Treas. & Chief Fin. Off.

Directors

R.M. Holt	C.V. Moore
Raymond Zimmerman	J.E. Poole
R.P. Crane, Jr.	H.I. Levy

Auditors: Touche Ross & Co.

Annual Meeting: In Apr.

No. of Stockholders: Jan. 2, 1988, 6,914.

No. of Employees: Jan. 2, 1988, 21,231.

Corporate Office: 2968 Foster Creight[illegible] Nashville, TN 37202. **Tel.:** (615) 251-6666.

Mailing Address: P.O. Box 24600, Nash[illegible] 37202.

Consolidated Income Account, years [illegible] **($000):**

	1/3/88	[1]1/2/87
Net sales	2,719,102	2,527,300
Cost of sales	2,095,528	1,981,336
Selling, etc., exps.	445,934	458,893
Interest expense	85,564	67,572
Deprec. & amort.	56,172	53,144
Oper. inc.	35,904	d33,645
Other inc., net	8,544	4,512
Net bef. taxes	44,448	d29,133
Income taxes	19,557	cr12,035
Acctg. change	[4]cr5,963	......
Inc. contin. opers.	30,854	d17,098
Discont. Opers.:		
Opers. loss	......	11,870
Disp. loss	......	17,930
Net Income	30,854	d46,898
Prev. retain. earns.	188,547	238,110
Dividends (cash)	2,665	2,665
Retained earn.	216,736	188,547
[3]Earn., com. share:		
Bef. acctg. change	$0.75	d$0.51
Acctg. change	cr0.18	......
Discont. oper.	......	dr0.90
Net income	$0.93	d$1.41
Yr.-end com. shs. (000)	33,315	33,315

[1]Reflects a chge. in acctg. for pension fro[illegible] zen Initial Liability Cost Method to Project[illegible] Credit Method. [2]Incl. H.J. Wilson Co., Inc [illegible] May 8, 1985) and Ellman's, Inc. (acq. M[illegible] 1985) from dates of acquisition. [3]As repor[illegible] avg. com. & com. equiv. shs. [4]Cum. effect [illegible] in acctg. for inventories.

Consolidated Balance Sheet, as of ($000):

Assets:	1/2/88
Cash & equiv.	249,863
Receivables, net	33,157
[1]Inventories	657,447
Prepayments, etc.	21,730
Refund. inc. taxes	......
Total current	962,197
Prop. & equip.	652,748
Less: Deprec.	168,175
Net property, etc.	484,573
Capitalized lse.	90,861
Other assets, etc.	1‾,179
Total	1,552,810
Liabilities:	
Actts. payable	388,426
Accruals	113,397
Debt due	73,410
Cap. lses. oblig. due	6,344
Inc. taxes	11,743
Total current	593,320
Long-term debt	515,013
Def. income taxes	30,524
Cap. lses. oblig.	107,188
Common stk. ($0.50)	16,884
Paid-in capital	79,539
Retained earnings	216,736
[2]Reacquired stock	dr6,394
Stkhldrs' equity	306,765
Total	1,552,810
Net current assets	368,877

[1]Lower of cost (fifo) or mkt. [2]453,000 [illegible] cost.

Auditor's Report: The following is an [illegible] from the Report of the Independent A[illegible] Touche Ross & Co., as it appeared in 1988 [illegible] Report.

"In our opinion, the financial statements [illegible] to above present fairly the consolidated po[illegible] Service Merchandise Company, Inc. and su[illegible] ies at Jan. 2, 1988 and Jan. 3, 1987, and t[illegible] solidataed results of their operations an[illegible] flows for each of the three years in the [illegible] ended Jan. 2, 1988, in conformity with g[illegible] accepted accounting principles consistently [illegible] during the period, except for the chang[illegible] which we concur, in the method of valuing [illegible] tories as described in Note L to the conso[illegible] financial statements."

Long Term Debt: 1. Service Merchand[illegible] Inc. 11¾% senior subord. notes, due 199[illegible]

Rating — Ba3

AUTH — $300,000,000; outstg. Jan. [illegible] $296,086,000.
DATED — Sept. 30, 1986. DUE — Dec. 15, [illegible]
INTEREST — J&D 15 to holders registe[illegible] 1.
TRUSTEE — BankAmerica Trust Co. [illegible] York.
DENOMINATION — Fully registered, [illegible] integral multiples thereof. Transfera[illegible] exchangeable without service charge. [illegible]
CALLABLE — As a whole or in part from [illegible] time on or after Dec. 15, 1989 at the optio[illegible]

GISTRAR & TRANSFER AGENT — First
erstate Bank, Calabasas, Cal.
ITED — On ASE (Symbol: SMH).

CE RANGE	1987	1986	1985	1984	1983
igh	4½	3⅞	4¾	7⅛	10¼
ow	1½	1¼	2¼	2¼	5

QU)RP.

istory: Incorporated in Delaware, March 28,), as General Printing Ink Corp.; Name nged to Sun Chemical Corp. on Nov. 28, 1945; sent name adopted on May 8, 1987. For other uisitions prior to 1960, see Moody's 1960 Indus- l Manual.

ı 1960 acquired Artistic Mfg. Co., Inc., Stam- l, Conn., (sold in 1974); Dyna-Foam Corp., nville, N.Y., (dissolved 1964); and business of bo Chemical Co., Pawtucket, R.I. (dissolved l).

n Nov. 30, 1960, General Printing Ink Co., Inc. Y.), former subsidiary, was dissolved.

ı Apr. 1966, acquired Tousey Varnish Co., Nor- ke, Ill., for $3,650,000 cash.

ı June 1967 acquired Varnish Products Co. for 7 shares of 5% second pfd. stock.

n Jan. 29, 1968 sold the assets of Industrial tings Division.

ı Dec. 1968 acquired Federal Color Laborato- Inc., Cincinnati, O., for 303,030 common es.

ı Dec. 1969, acquired 241,500 shs. (over 10%) Standard Kollsman Industries, Inc. for about a sh.

n Dec. 30, 1970 acquired Web Press Engineer- Inc., Chicago, and Logic Systems Inc.

n Nov. 1, 1971 acquired Sta-Hi Corp. Newport ch, Cal.

. Sept. 1972 acquired 80% interest in Societe ıce Couleurs, S.A. for cash.

ı Dec. 29, 1972 merged Standard Kollsman ıstries, Inc. thru exchange of 1 com. sh. for . 4½ Standard Kollsman shs.

Apr. 1973 acquired 25% interest in Ault & org Group Ltd. Under deal, Ault & Wiborg acquire British Printing Ink Co., a Co. subsidi- and a license to manufacture and sell Co.'s cure ultraviolet cured printing inks (acquired tional 15% interest in 1974 and 2% in 1977.)

Apr. 1973 acquired 83.9% interest in Baglini, ., Italy for an undisclosed cash sum (acquired tional 13.7% in 1976).

S 1973 acquired 80% interest in Societe es e, Belgium, for cash.

Ap.. 1974, Encres Dresse subsidiary acquired ıbrame, Belgium for cash (acquired additional in 1976).

Dec. 1974, sold Artistic Division, manufac- of ribbons and bows.

Jan. 1975, sold Warwick Chemical (York-) Ltd.

Feb., 1979, acquired a 5.2% interest in Chro- oy American Corp. Interest increased to 18% equently in 1979.

Feb. 1982, Co. increased its interest in Chro- oy American Corp. to 36.1% by purchasing a of 297,100 shs. for $5,500,000 between Oct. 23, thru Jan. 14, 1982. (Acquired remaining shs. ec. 1986).

Feb. 1986, sold its Venezuelan printing ink idiary for $4,000,000.

Mar. 3, 1987 Co. acquired Litho-Strip Co. a ion of Amsted Industries Inc. with plants in ago and Houston.

Jan. 1987, Co. completed the sale of its hic arts materials group to Dainippon Ink and nicals, Inc., for approximately $550,000,000 in

ı Jan. 5, 1988, Co. and Atlantic Research Corp. ed, following the conclusion of Co.'s $31 per cash tender offer for Atlantic Research es. In the offer, which expired on Dec. 21, Co. received valid tenders which, when cou- with shares already owned by Co., amount to oximately 94% of Atlantic Research shares. ıtic Research stockholders who did not tender stock but who surrender their shares in the er will receive $31 per share in cash. Under merger, Atlantic Research Corp. becomes a ly owned subsidiary of Co.

Mar. 1988, sold Chromalloy American Insur- Group, Inc. with Resolute Holdings, Inc.

siness: Product lines manufactured and sold graphic arts materials such as printing inks in commercial printing, publishing and pack- . Organic pigments for printing inks, paints, ics, textiles and cosmetics.

. als produces graphic arts equipment includ- yli l container decorators, two piece can ing pment and auxiliary press equipment lditioı to instruments for use in commercial governmental aircraft and electro-optical es, specialty chemicals for the textile, graphic and paper industries; and cigarette lighters utomobiles, trucks and pleasure vehicles.

operty: Company and subsidiaries own or plants in United States, Canada, Mexico, um, Italy, France, Venezuela, England, Ber- , Australia and Germany.

Chemical Division
Chester, S.C. — Cincinnati, O.

Graphic Arts Group
Carlstadt, N.J. — Northlake, Ill.

Graphic Equipment Group
East Rutherford, N.J. — Rancho Dominguez, CA.

Instrument Group
Merrimack, N.H. — Nashua, N.H.

Automotive Group
Bridgeport, Conn.

Colors Group
Cincinnati, OH.
Muskegon, MI.
Staten Island, NY.

Subsidiaries

Atlantic Research Corporation
Chromalloy Gas Turbine Corporation
Kollsman Avionics
Kollsman Military Systems
Kollsman Systems Management
ARC Group
Arkansas Propulsion Division
Virginia Propulsion Division
Teleproducts Division
Tempest Division
ORI Group
ORI, Inc.
ORI/CALCULON
ORI/INTERCON
Systems & Applied Sciences Corporation
Atlantic Research Services Corporation
Rutherford Machinery Division
Materiels Equipments Graphiques
Precoat Metals Division
Stundum Canforming Systems
Marine Transportation Corp.
The Valley Line Company
Sabine Towing and Transportation Co.
Sequa Chemicals, Inc.
Sequa plc
Warwick International
Gemoco Division
Sturm Machine Company
Sequa Capital Corporation
SunRise Insurance Limited

Officers

N.E. Alexander, Chmn. & Chief Exec. Off.
R.E. Davis, Pres. & Chief Oper. Off.
S.Z. Krinsly, Senior Exec. Vice-Pres. & Gen. Counsel
G.S. Gutterman, Exec. Vice-Pres., Fin. & Admin.
B.M. Jaffe, Senior Vice-Pres. & Sec.
W.H. Borten, Senior Vice-Pres.
Howard Brill-Edwards, Senior Vice-Pres.
D.M. Libutti, Senior Vice-Pres.
Martin Weinstein, Senior Vice-Pres.
R.H. Wright, Senior Vice-Pres.
K.A. Drucker, Vice-Pres. & Treas.
W.P. Ksiazek, Vice-Pres. & Contr.

Vice-Presidents

D.J. O'Brien	L.G. Kyriakou
S.W. Rosen	D.M. Morris
J.J. Quicke	Monroe Adlman
D.S. Bunin	J.C. Allwarden
R.P. Schneider	

Directors

Alvin Dworman	N.E. Alexander
S.Z. Krinsly	Gerald Tsai, Jr.
F.R. Sullivan	A.L. Fergenson
D.S. Gottesman	R.S. Lefrak
Raymond Frankel	D.D. Kummerfeld
R.E. Davis	

Auditors: Arthur Andersen & Co.

Annual Meeting: In May.

No. of Stockholders: Dec. 31, 1987, 18,000.

No. of Employees: Dec. 31, 1987, 16,800.

Executive Office: 200 Park Ave., New York, NY 10166. **Tel.:** (212) 986-5500.

Consolidated Income Account, years ended Dec. 31 ($000):

	1987	[3] 1986	1985
Net sales	1,000,148	371,413	326,638
Revenues	132,512	......	......
Cost of sales	739,451	269,719	244,328
Cost oper. revs.	108,090	......	......
Selling, etc., exps.	163,186	69,466	48,235
Oper. income	121,933	32,228	34,075
Interest inc.	11,346	3,996	583
Total	133,279	36,224	34,658
Interest exp.	34,423	19,576	18,254
Equity loss	1,723	20,191	1,305
Loss on invest. & div. inc.	21,100	......	......
Other exps., net	660	418	1,123
Income taxes	27,968	8,375	4,779
[1]Inc. contin. opers.	50,851	28,046	11,807
Discont. Opers.:			
Oper. inc.	*dr*3,653	132,087	*dr*7,738
Net income	47,198	160,133	4,069
Prev. retain. earns.	322,583	166,192	165,870
Cash divs.	......	3,742	3,747
Retained earn.	359,629	322,583	166,192
Earn., com. share:			
Contin. oper.	$4.28	$3.49	$1.51
Discont. oper.	*d*0.33	16.41	*d*0.99
Net income	$3.95	$19.90	$0.52
Common Shares (000):			
Yr.-end	10,690	10,915	7,807
[2]Average	10,932	8,047	7,822

[1]After $46,934,000 (1986, $9,813,000; 1985, $10,194,000) deprec. [2]Incl. com. equiv. shs. [3]Reflects change in acctg. for pensions and incl. Chromalloy American Corporation from December 23, 1986 date of acq.

Consolidated Balance Sheet, as of Dec. 31 ($000):

Assets:	1987	1986
Cash & equiv.	19,165	83,161
Sht.-tm. invest.	66,784	405,655
Receivables, net	260,274	165,478
Unbilled receiv.	80,262	......
[1]Inventories	223,516	194,647
Net assets of discontin. opers.	80,248	......
Other assets	47,198	20,762
Total current	777,447	869,703
Property & equip.	479,627	343,058
Less deprec.	80,149	38,808
Net property & equip.	399,478	304,250
Investments	105,257	72,018
Def. chgs.	15,291	11,199
Excess acq. cost	365,952	137,834
Total	1,663,425	1,395,004
Liabilities:		
Notes, etc., pay.	35,028	28,331
Debt due	23,729	31,423
Accts. payable	124,208	116,468
Taxes	8,376	86,632
Accr. acquisition costs	34,200	......
Accruals	170,345	149,752
Total current	395,886	412,606
Long-term debt	493,264	273,395
Def. income taxes	14,343	16,170
Minority int., etc.	85,929	60,881
Pfd. stk. ($1)	797	805
[3]Cl. A com. stk.	7,043	6,897
[4]Cl. B com. stk.	3,883	3,930
Cap. excess par val.	303,433	300,388
Cum. transl. adj.	11,436	*dr*2,048
Retained earnings	359,629	322,583
Stkhldrs' equity	686,221	632,555
[2]Reacquired stock	12,218	603
Net stkhldrs' equity	674,003	631,952
Total	1,663,425	1,395,004
Net current assets	381,561	457,097

[1]Lower of cost (lifo) or mkt. [2]Shs. at cost: 1987, 232,456 cl. A and 3,385 cl. B; 1986, 4,078 cl. A and 4,078 cl. B. [3]6,897,000 no par shs. [4]1987, 3,883,000; 1986, 3,930,000 no par shs.

Note: Restated to reflect discontinued operations.

Long Term Debt: 1. Sequa Corp. (Sun Chemical Corp.) subordinated debenture 11½s, due 1996:

Rating — Baa3

AUTH. — $40,000,000; outstg., Dec. 31, 1987, $40,000,000.
DATED — Dec. 1, 1978. Due — Dec. 1, 1996.
INTEREST — J&D 1 to holders registered M&N 15.
TRUSTEE — Continental Illinois National Bank & Trust Co. of Chicago.
DENOMINATION — Fully registered, $1,000 and integral multiples of $1,000.
CALLABLE — As a whole or in part at any time on at least 30 but not more than 60 days' notice to each Nov. 30 as follows:
1986..........105.75 1987..........103.83 1988..........101.92
and thereafter at 100. Not callable, however, prior to Dec. 1, 1983 thru refunding at an interest cost of less than 11½% per annum.
SINKING FUND — Annually Dec. 1, 1988-95, sufficient to redeem $3,600,000 principal amount of debs., plus similar optional payments. Sinking fund designed to retire 72% of debs. prior to maturity.
SECURITY — Not secured. Subordinate to all senior debt.
DIVIDEND RESTRICTIONS — Co. will not (i) declare or pay any div. or make any distribution on its capital stock or to its stockholders or (ii) purchase, redeem, or otherwise acquire or retire for value any of the capital stock of the Co., if at the time of such action an event of default shall have occurred and be continuing or if upon giving effect thereto the aggregate amount expended for all such purposes subsequent to Jan. 1, 1978 shall exceed the sum of (a) the aggregate consolidated net income of the Co. accrued subsequent to Jan. 1, 1978, (b) the aggregate net proceeds of the issue or sale after Jan. 1, 1978, or capital stock of the Co., and (c) the aggregate net proceeds of the issue or sale subsequent to Jan. 1, 1978, of any indebtedness of the Co. which thereafter has been converted into capital stock of the Co.
RIGHTS ON DEFAULT — Trustee or 25% of debs. outstg. may declare principal due and payable (30 days' grace for payment of interest).
INDENTURE MODIFICATION — Indenture may be modified, except as provided, with consent of 66⅔% of debs. outstg.
LISTED — On New York Stock Exchange.
PURPOSE — Proceeds will be used for investments and acquisitions, retirement of subord. debt, capital expenditures and other general corporate purposes.
OFFERED — ($40,000,000) at 100 plus accrued interest (proceeds to Co., 97.25) on Nov. 29, 1978 thru Drexel Burnham Lambert Inc. and associates.

PRICE RANGE—	1987	1986	1985	1984	1983
High	103¼	103	93½	86⅝	91
Low	96	91½	78	79⅛	87⅛

2. Sequa Corp. 10½% senior subordinated notes, due 1998:

Rating — Baa3

AUTH. — $250,000,000; outstg., this series, $250,000,000.
DUE — May 1, 1998.
INTEREST — M&N1.
CALLABLE — As a whole or in part beginning May 1, 1993 at 104.67.
OTHER DETAILS — Not reported.
LISTED — On New York Stock Exchange.
OFFERED — $250,000,000 on Apr. 27, 1988 thru Drexel Burnham Lambert Inc. & Bear Sterns & Co. Inc. and associates.

3. Sequa Corp. (Sun Chemical Corp.) subordinated debenture 11¼s, due 1996:

Rating — Baa3

AUTH. — $40,000,000; outstg., Dec. 31, 1987, $40,000,000.
DATED — Aug. 1, 1979. DUE — Dec. 1, 1996.
INTEREST — J&D 1 to holders registered M&N 15.
TRUSTEE — Continental Illinois National Bank & Trust Co.
DENOMINATION — Fully registered, $1,000 and integral multiples of $1,000.
CALLABLE — As a whole or in part at any time on at least 30 but not more than 60 days' notice to each Nov. 30 as follows:

1986	105.63	1987	103.75	1988	101.88

and thereafter at 100. Not callable, however, prior to Dec. 1, 1983, thru refunding at an interest cost of less than 11¼% per annum. Also callable for sinking fund (which see) at 100.
SINKING FUND — Annually, Dec. 1, 1988-95, sufficient to redeem $3,600,000 principal amount of debs., plus similar optional payments. Sinking fund designed to retire 72% of issue prior to maturity.
SECURITY — OTHER PROVISIONS — Same as subord. deb. 11½s, 1996 except in dividend restriction date is Jan. 1, 1979.
LISTED — On New York Stock Exchange.
PURPOSE — Proceeds will be used to purchase additional shs. of com. stock and $5 cum. conv. pfd. stock of Chromalloy American Corp.
OFFERED — ($40,000,000) at 100 plus accrued interest (proceeds to Co. 97.40) on July 31, 1979 thru Drexel Burnham Lambert Inc.

PRICE RANGE—	1987	1986	1985	1984	1983
High	104	104	94	87	90⅛
Low	100	92	82½	75	85⅛

Other Debt: Outstg. Dec. 31, 1987, $430,069,000 comprised of:

(1) $48,195,000 9.47% Insurance Co. Loan payable thru 1994.
(2) $58,329,000 11.5% United States government-insured Merchant Marine Bonds payable thru 2005.
(3) $20,000,000 11.38% term loans due 1988-96.
(4) $26,387,000 Mortgage notes payable and equipment obligations average interest rates of 8.6% to 9.2% thru 2013.
(5) $13,501,000 9.2% first preferred ship mortgage payable thru 1993.
(6) $10,256,000 10.85% senior notes due 1987-93.
(7) $8,305,000 prime rate credit agreements.
(8) $12,376,000 11.4% and 11.6% other debt due thru 2003.
(9) $225,000,000 8.53% Bridge loan, payable in varying amounts through 1992.
(10) $7,720,000 67% Industrial development revenue bonds, 1982 series 1 and 2, due annually from 1988 to 1997.

In Feb. 1987, Co. cancelled its revolving credit agreements and replaced such agreements with open unsecured lines of credit. At Dec. 31, 1987, the Co. had open unsecured lines of credit totaling $235,000,000 which provide for borrowings at rates to be negotiated at the time of draw down. The Co. had borrowed $35,028,000 under these lines at Dec. 31, 1987. Co. had a policy of maintaining availability under its multi-year credit agreements to fund amounts outstanding in commercial paper. In 1986 the average amount of commercial paper outstanding was $10,400,000 with the largest sum outstanding at any one time amounting to $25,000,000. The weighted average interset rate was 7.5% in 1986.

Co.'s loan agreements contain covenants which restrict, among other matters, the ability of Co. to borrow and pay dividends and pay ratios regarding outstanding debt and tangible net worth. Under most restrictive covenant at Dec. 31, 1987, $ 131,000,000 of additional debt was available for future draw down and consolidated retained earnings of approximately $17,500,000 were unrestricted as to payment of cash dividends.

In addition, certain of Co.'s consolidated and nonconsolidated subsidiaries are also subject to restrictions. Loans, advances and cash dividends to the parent are limited under covenants contained in their respective loan agreements and, to a much lesser extent, foreign government regulations.

Capital Stock: 1. Sequa Corp. $5 cumulative convertible preferred; par $1:

AUTH. — 1,825,000 shares; outstg., Dec. 31, 1987, 797,000 shares; par $1.
DIVIDEND RIGHTS — Entitled to cumulative dividends of $5 per sh. per annum.
DIVIDEND RECORD — Initial dividend of $1.25 paid Feb. 1, 1987; regular quarterly dividends paid thereafter.
CONVERTIBLE — Each sh. in convertible into 1.322 shs. of Class A common.
ISSUED — Issued in connection with merger of Co. and Chromalloy American Corp.
LISTED — On New York Stock Exchange (Symbol: SQA Pr)
PRICE RANGE — 1987, 115½-64; 1986, 93-92.

2. Sequa Corp. Class A common; no par:

AUTHORIZED — 25,000,000 shares; outstanding Dec. 31, 1987, 7,043,000 shares (including shs. held in treasury); reserved for stock options, conversion of preferred and Class B common stock, 5,081,688 shares; no par.
DIVIDEND RIGHTS — For a period of five years commencing Jan. 1, 1987, annual dividends, if any, on Class A common will be at least $0.10 more per sh. than Class B common dividends.
DIVIDENDS —

On Old Common Stock

On no par shares:

1929	$1.875	1930-31	$2.50	1932	$0.25
1933	0.15	1934	1.00	1935	2.00
1936	5.00	1937	0.60		

On $1 par shares:

1937	0.90	1938	0.50	1939	0.80
1940	0.60	1941	0.65	1942	0.30
1943-44	0.40	1945	0.45	1946-47	0.60
1948	0.50	1949	0.40	1950	0.90
1951-54	0.75	1955	0.85	1956	0.90
1957	0.80	1958	0.70	1959-61	0.60
1962-76	0.40				

On $1 par shs. after 3-for-2 split:

1977	0.45	1978	0.60	1979	0.45

On $1 par shs. after 4-for-3 split:

1979	0.15	1980	0.60	1981	0.18

On $1 par shs. after 3-for-2 split:

1981	0.36	1982-86	0.48

On Class A common

1987	0.60	[1]1988	0.30

[1]To July 1.

DIVIDEND RESTRICTIONS — See long term debt above.
VOTING RIGHTS — Has one vote per share.
PREEMPTIVE RIGHTS — None.
TRANSFER AGENT & REGISTRAR — Manufacturers Hanover Trust Co., NYC.
LISTED — On New York Stock Exchange (Symbol: SQA A).

PRICE RANGE—	1987	1986	1985	1984	1983
High	88⅜	69	39	33	30⅞
Low	40¾	65	28⅜	24¼	17¾

3. Sequa Corp. Class B common; no par:

AUTHORIZED — 5,000,000 shares; outstanding Dec. 31, 1987, 3,883,000 shares (including shs. held in treasury); reserved for options 69,574 shares; no par.
VOTING RIGHTS — Has ten votes per share.
CONVERTIBLE — Convertible into Class A common stk. on a sh.-for-sh. basis.
DIVIDENDS —

1987	0.50	[1]1988	0.25

[1]To July 1.

LISTED — On New York Stock Exchange (Symbol: SQA B).
PRICE RANGE — 1987, 91½-42¾; 1986, 71¾-68¼.

Recapitalization: In Dec. 1986, stockholders approved a proposal to authorize 25,000,000 shares of Class A common and 5,000,000 shares of Class B common and each outstanding common share was converted into a one-half share of Class A and one-half share of Class B common.

SERVICEMASTER LIMITED PARTNERSHIP

History: Organized In Del. on Oct. 31, 1986, and on Dec. 30, 1986, the business of ServiceMaster Industries, Inc. was conveyed to the partnership. Present name adopted in 1986.

Partnership: On Dec. 30, 1986, the business of ServiceMaster Industries Inc. was conveyed to ServiceMaster Limited Partnership. The stock of ServiceMaster Industries Inc. was converted on a one-for-one basis to Partnership shares on the date of the reorganization. The consolidated financial statements include the results of ServiceMaster Industries Inc. through Dec. 30, 1986.

ServiceMaster Limited Partnership holds a 99% interest in the profits, losses and distributions of The ServiceMaster Company Limited Partnership which owns and operates the Service Master business. ServiceMaster Management Corporation, owned by ServiceMaster executive, and four senior ServiceMaster executives, are the General Partners of and have a 1% interest in the income of both ServiceMaster Limited Partnership and The ServiceMaster Company Limited Partnership.

ServiceMaster Management Corporation has the right to remove and change the individual General Partners. The Board of Directs of ServiceMaster Management Corporation, a majority of which must be independent directors, hold the voting rights for the election of directors. The shareholders of ServiceMaster Limited Partnership hold the right, under certain circumstances, to remove and replace the General Partners.

Business: Provides management services for health care, educational, industrial and commercial facilities including the management and performance of housekeeping, laundry and linen services, plant operations maintenance, materials management, clinical equipment maintenance and food services functions. Co. manufactures and distributes products for its own operations and sells a portion of its products to the franchise portion.

Property: Partnership and subsidiaries facilities located as follows:

Downers Grove, Ill.	Lancaster, Pa.
Cairo, Ill.	Memphis, Tenn.

Subsidiaries

Service Master co. Limited Partnership
Terminix International Co. Ltd. Partnership
American Food Management
ServiceMaster Manufacturing Services
ServiceMaster East Management Services
ServiceMaster Southeast Management Services
ServiceMaster Central Management Services
ServiceMaster West Central Management Services
ServiceMaster West Management Services
ServiceMaster Education Management Services
ServiceMaster Industrial Management Services
ServiceMaster Food Management Services
ServiceMaster Residential/Commercial Services
ServiceMaster International Services
ServiceMaster Manufacturing Services
ServiceMaster of Canada Ltd.
Ayimuth Advertising Ltd. Partnership
ServiceMaster Acceptance Corp.
ServiceMaster Employment Corporation
ServiceMaster Operations AG (Switzerland)
ServiceMaster Operations Germany GmbH (West Germany)
ServiceMaster Operations S.A.R.L. (France)
ServiceMaster Limited (England)

Affiliates

ServiceMaster Home Health Care Services, Inc.
ServiceMaster Direct Marketing Corp.
ServiceMaster Energy Management Co. Ltd. Partnership
The VHA-ServiceMaster Partnership
The AHS-Servicemaster Partnership

Officers

K.T. Wessner, Chmn.
C.W. Pollard, Pres. & Chief Exec. Off.
R.D. Erickson, Exec. Vice-Pres. & Chief Fin. Off.
E.F. Morgan, Jr., Exec. Vice-Pres.
C.W. Stair, Exec. Vice-Pres.
Alexander Balc, Jr. Senior Vice-Pres.

Directors

R.D. Erickson	G.H. Knoedler
P.W. Berezny, Jr.	K.T. Wessner
P.D. Woodward	D.M. Barbo
C.W. Pollard	D.K. Wessner
B.E. Sorenson	H.O. Boswell
V.C. Nelson	H.P. Hess
Alexander Balc, Jr.	C.W. Stair
J.D. McLennan	

Auditors: Arthur Andersen & Co.

No. of Stockholders: Dec. 31, 1987, 26,000.

No. of Employees: Dec. 31, 1987, 14,861.

Annual Meeting: In May.

Office: 2300 Warrenville Rd., Downers Grove, IL 60515. **Tel.:** (312) 964-1300.

Consolidated Income Account, years ended Dec. 31 ($000):

	1987	1986	1985
Revenue	1,425,316	1,122,503	[illegible]
Cost of sales	1,228,885	975,997	[illegible]
Selling, etc. exp.	116,938	83,216	[illegible]
Oper. income	79,493	64,150	[illegible]
Interest exp.	16,465	1,725	[illegible]
Minority Interest	3,027	860	[illegible]
Liquidation costs.	......	3,100	[illegible]
Income taxes	......	29,160	[illegible]
[1]**Net income**	60,001	32,755	[illegible]
Prev. retained earn.	......	53,052	[illegible]
Retained earnings	......	53,052	[illegible]
Earn., com. share	$1.90	$1.00	[illegible]
Com. shares (000):			
Year-end	31,074	30,970	[illegible]
Average	31,503	32,827	[illegible]

[1]After $19,873,000 (1986, $10,079,000 [illegible] $7,986,000) deprec. & amort.

Consolidated Balance Sheet, as of Dec. 31 ($000):

	1987	[illegible]
Assets:		
Cash & secur.	20,443	[illegible]
Receivables, net	81,881	[illegible]
[1]Inventories	16,746	[illegible]
Prepays.	9,734	[illegible]
Total curr.	128,804	[illegible]
Prop. & equip.	78,493	[illegible]
Less: deprec.	35,130	[illegible]
Net prop. & equip.	43,363	[illegible]
Notes receiv.	13,929	[illegible]
Other assets	185,008	[illegible]
Total	371,104	[illegible]
Liabilities:		
Accts. payable	17,826	[illegible]
Accruals	46,650	[illegible]
Income taxes	[illegible]	[illegible]
Total curr.	64,476	[illegible]
Long term debt	174,480	[illegible]
Subord. cv. deb.	9,100	[illegible]
Other long term oblig.	72,204	[illegible]
Min. & Gen. Part. int.	8,660	[illegible]
Ltd. Partners equity	94,433	[illegible]
[2]Treas. stk.	dr42,348	[illegible]
Stk. subsc. rec.	dr9,901	[illegible]
Stkhldrs' equity	42,184	[illegible]
Total	371,104	[illegible]
Net curr. assets	[illegible]	[illegible]

Capital Stock: Semtech Corp. common; par $0.01:

Authorized, 10,000,000 shs.; outstanding Jan. 31, 1987, 2,465,790 shs.; reserved for options; 115,000 par $0.01.

$0.01 par shs. split 3-for-2 Dec. 17, 1973.

Has one vote per sh. with cumulative voting for directors. No preemptive rights.

Dividends Paid (since 1970):

1971-73 . . . [1] . .

On $0.01 par shs. after 3-for-2 split:

1974-76 . . . [1] . . [1] 1977-78 . . $0.15 [1] 1979-80 . . $0.20
1981 . . . . . [1] . . 1981-83 . . . [1] . 1984-86 . . . . . Nil.

[1] Paid stk. divs.: 1971-83, 3%.

Offered (120,000 shs.) at $8.50 a sh. on June 6, 1967 thru C.E. Unterberg, Towbin Co. and Associates. Proceeds for expansion and to retire debt.

Registrar & Transfer Agent: First Interstate Bank, Calabasas, Cal.

Listed: On ASE (Symbol: SMH).

Price Range:	1986	1985	1984	1983	1982
High	3⅞	4¾	7⅛	10¼	5⅝
Low	1¼	2¼	2¼	5	2¾

SEQUA CORP.

History: Incorporated in Delaware, March 28, 1929, as General Printing Ink Corp.; Name changed to Sun Chemical Corp. on Nov. 28, 1945; present name adopted on May 8, 1987. For other acquisitions prior to 1960, see Moody's 1960 Industrial Manual.

In 1960 acquired Artistic Mfg. Co., Inc., Stamford, Conn., (sold in 1974); Dyna-Foam Corp., Ellenville, N.Y., (dissolved 1964); and business of Carbo Chemical Co., Pawtucket, R.I. (dissolved 1964).

On Nov. 30, 1960, General Printing Ink Co., Inc. (N.Y.), former subsidiary, was dissolved.

In Apr. 1966, acquired Tousey Varnish Co., Northlake, Ill., for $3,650,000 cash.

In June 1967 acquired Varnish Products Co. for 4,147 shares of 5% second pfd. stock.

On Jan. 29, 1968 sold the assets of Industrial Coatings Division.

In Dec. 1968 acquired Federal Color Laboratories, Inc., Cincinnati, O., for 303,030 common shares.

In Dec. 1969, acquired 241,500 shs. (over 10%) of Standard Kollsman Industries, Inc. for about $11 a sh.

On Dec. 30, 1970 acquired Web Press Engineering, Inc., Chicago, and Logic Systems Inc.

On Nov. 1, 1971 acquired Sta-Hi Corp. Newport Beach, Cal.

In Sept. 1972 acquired 80% interest in Societe France Couleurs, S.A. for cash.

On Dec. 29, 1972 merged Standard Kollsman Industries, Inc. thru exchange of 1 com. sh. for each 4½ Standard Kollsman shs.

In Apr. 1973 acquired 25% interest in Ault & Wiborg Group Ltd. Under deal, Ault & Wiborg will acquire British Printing Ink Co., a Co. subsidiary, and a license to manufacture and sell Co.'s Suncure ultraviolet cured printing inks (acquired additional 15% interest in 1974 and 2% in 1977.)

In Apr. 1973 acquired 83.9% interest in Baglini, S.p.A., Italy for an undisclosed cash sum (acquired additional 13.7% in 1976).

In Sept. 1973 acquired 80% interest in Societe Encres Dresse, Belgium, for cash.

In Apr. 1974, Encres Dresse subsidiary acquired Dambrame, Belgium for cash (acquired additional 10% in 1976).

In Dec. 1974, sold Artistic Division, manufacturer of ribbons and bows.

In Jan. 1975, sold Warwick Chemical (Yorkshire) Ltd.

In Feb., 1979, acquired a 5.2% interest in Chromalloy American Corp. Interest increased to 18% subsequently in 1979.

In Feb. 1982, Co. increased its interest in Chromalloy American Corp. to 36.1% by purchasing a total of 297,100 shs. for $5,500,000 between Oct. 23, 1981 thru Jan. 14, 1982. (Acquired remaining shs. in Dec. 1986).

In Feb. 1986, sold its Venezuelan printing ink subsidiary for $4,000,000.

In Mar. 3, 1987 Co. acquired Litho-Strip Co. a division of Amsted Industries Inc. with plants in Chicago and Houston.

Interest Sale: In Jan., 1987 Co. completed the sale of its graphic arts materials group to Dainippon Ink and Chemicals, Inc., for approximately $550,000,000 in cash. Under terms of the transactions, Dainippon acquired the domestic and international operations of Co. in the fields of printing ink and organic pigments. These businesses will continue to operate under the Sun Chemical name, and Co. will adopt a new corporate name.

Business: Product lines manufactured and sold are graphic arts materials such as printing inks used in commercial printing, publishing and packaging. Organic pigments for printing inks, paints, plastics, textiles and cosmetics.

Co. also produces graphic arts equipment including cylindrical container decorators, two piece can forming equipment and auxiliary press equipment in addition to instruments for use in commercial and governmental aircraft and electro-optical devices, specialty chemicals for the textile, graphic arts, and paper industries; and cigarette lighters for automobiles, trucks and pleasure vehicles.

Property: Company and subsidiaries own or lease plants in United States, Canada, Mexico, Belgium, Italy, France, Venezuela, England, Bermuda, Australia and Germany.

Chemical Division

Chester, S.C. — Cincinnati, O.

Graphic Arts Group

Carlstadt, N.J. — Northlake, Ill.

Graphic Equipment Group

East Rutherford, N.J. — Rancho Dominguez, CA.

Instrument Group

Merrimack, N.H. — Nashua, N.H.

Automotive Group

Bridgeport, Conn.

Colors Group

Cincinnati, OH.
Muskegon, MI.
Staten Island, NY.

Subsidiaries

Ault & Wiborg Group, plc
Materiels-Equipement-Graphique
Litho-Strip Co.
Chromalloy American Corp.
Chromalloy American Insurance Group, Inc.
SunRise Insurance Ltd.
GoldStreet Syndicate Corp.
Forsun Leasing Corp.
Chromalloy Gas Turbine Corp.
Kollsman Instrument Co.
Kollsman Manufacturing Co.
Special Products Engineering Corp.
Standun Canforming Systems
Warwick International Ltd.
Casco Products Corp.
Sabine Towing & Transportation Co.
Sturm Machine Co., Inc.
SNL Insurance, Ltd.

Officers

N.E. Alexander, Chmn. & Chief Exec. Off.
R.E. Davis, Pres. & Chief Oper. Off.
S.Z. Krinsly, Senior Exec. Vice-Pres. & Gen. Counsel
G.S. Gutterman, Exec. Vice-Pres., Fin. & Admin.
B.M. Jaffe, Senior Vice-Pres. & Sec.
D.J. O'Brien, Vice-Pres. & Treas.
W.P. Ksiazek, Vice-Pres. & Contr.

Vice-Presidents

S.W. Rosen	D.M. Libutti
W.E. Morris	G.L. Phillips
R.H. Wright	Monroe Adlman
D.S. Bunin	J.C. Allwarden

Directors

N.E. Alexander	S.Z. Krinsly
Gerald Tsai, Jr.	F.R. Sullivan
A.L. Fergenson	D.S. Gottesman
R.S. Lefrak	Raymond Frankel
D.D. Kummerfeld	R.E. Davis

Auditors: Arthur Andersen & Co.

Annual Meeting: In May.

No. of Stockholders: Dec. 31, 1986, 18,800.

No. of Employees: Dec. 31, 1986, 15,700.

Executive Office: 200 Park Ave., New York, NY 10166. **Tel.:** (212)986-5500.

Consolidated Income Account, years ended Dec. 31 ($000 omitted):

	[3] 1986	1985	1984
Net sales	371,413	326,638	316,917
Cost of sales	269,719	244,328	240,150
Selling, etc., exps.	70,338	49,720	43,997
Oper. income	31,356	32,590	32,770
Interest inc.	3,996	583	794
Total	35,352	33,173	33,564
Interest exp.	19,576	18,254	19,169
Equity loss	cr13,334	9,191	3,616
Loss on disp. of assets	.....	1,700	.....
Other exps., net	380	cr582	3,633
Income taxes	2,673	3,294	1,394
[1]Inc. contin. opers.	26,057	1,316	5,752
Earn., com. share	$3.24	$0.17	$0.74
Discont. Opers.:			
Oper. inc.	13,619	6,093	21,504
Disp. gain	124,176	.....	.....
Equity loss	3,719	3,340	2,038
Net income	160,133	4,069	25,218
Prev. retain. earns.	166,192	165,870	144,353
Cash divs.	3,742	3,747	3,701
Retained earn.	322,583	166,192	165,870
Earn., com. share	$19.90	$0.52	$3.23
Common Shares:			
Yr.-end	10,914,904	7,807,374	7,791,663
[2]Average	8,047,000	7,822,000	7,812,000

[1]After $9,813,000 (1985, $10,194,000; 1984, $7,690,000) deprec. [2]Incl. com. equiv. shs. [3]Reflects change in acctg. for pensions and incl. Chromalloy American Corporation from December 23, 1986 date of acq.

Consolidated Balance Sheet, as of Dec. 31 ($000 omitted):

	1986	1985
Assets:		
Cash & equiv.	83,161	14,638
Sht.-tm. invest.	405,655	2,735
Receivables, net	165,478	137,657
[2]Inventories	194,647	135,138
Other assets	20,762	6,302
Total current	869,703	296,470
[1]Net property, etc.	304,250	202,984
Investments	72,018	113,747
Def. chgs.	11,199	7,456
Excess acq. cost	137,834	4,388
Total	1,395,004	625,045
Liabilities:		
Notes, etc., pay.	28,331	5,421
Debt due	31,423	4,216
Accts. payable	116,468	85,684
Taxes	86,632	47,162
Accruals	149,752	50,272
Total current	412,606	192,755
Long-term debt	273,395	200,745
Def. income taxes	16,170	25,214
Minority int., etc.	60,881	14,208
Pfd. stk. ($1)	805	......
Common stk. ($1)	......	7,822
Cl. A com. stk.	[4]6,897	......
Cl. B com. stk.	[5]3,930	......
Cap. excess par val.	300,388	40,337
Cum. transl. adj.	dr2,048	dr21,884
Retained earnings	322,583	166,192
Stkhldrs' equity	632,555	192,467
[3]Reacquired stock	603	344
Net stkhldrs' equity	631,952	192,123
Total	1,395,004	625,045
Net current assets	457,097	103,715

[1]Deprec.: 1986, $38,808,000; 1985, $117,050,000. [2]Lower of cost (lifo) or mkt. [3]Shs. at cost: 1986, 4,078 cl. A and 4,078 cl. B; 1985, 14,496. [4]6,897,000 no par shs. [5]3,930,000 no par shs.

Long Term Debt: 1. Sequa Corp. (Sun Chemical Corp.) subordinated debenture 11½s, due 1996:

Rating — Ba2

AUTH. — $40,000,000; outstg., Dec. 31, 1986, $40,000,000.

DATED — Dec. 1, 1978. Due — Dec. 1, 1996.

INTEREST — J&D 1 to holders registered M&N 15.

TRUSTEE — Continental Illinois National Bank & Trust Co. of Chicago.

DENOMINATION — Fully registered, $1,000 and integral multiples of $1,000.

CALLABLE — As a whole or in part at any time on at least 30 but not more than 60 days' notice to each Nov. 30 as follows:

1986 . . . . . 105.75 1987 . . . . . 103.83 1988 . . . . . 101.92

and thereafter at 100. Not callable, however, prior to Dec. 1, 1983 thru refunding at an interest cost of less than 11½% per annum.

SINKING FUND — Annually Dec. 1, 1988-95, sufficient to redeem $3,600,000 principal amount of debs., plus similar optional payments. Sinking fund designed to retire 72% of debs. prior to maturity.

SECURITY — Not secured. Subordinate to all senior debt.

DIVIDEND RESTRICTIONS — Co. will not (i) declare or pay any div. or make any distribution on its capital stock or to its stockholders or (ii) purchase, redeem, or otherwise acquire or retire for value any of the capital stock of the Co., if at the time of such action an event of default shall have occurred and be continuing or if upon giving effect thereto the aggregate amount expended for all such purposes subsequent to Jan. 1, 1978 shall exceed the sum of (a) the aggregate consolidated net income of the Co. accrued subsequent to Jan. 1, 1978, (b) the aggregate net proceeds of the issue or sale after Jan. 1, 1978, or capital stock of the Co., and (c) the aggregate net proceeds of the issue or sale subsequent to Jan. 1, 1978, of any indebtedness of the Co. which thereafter has been converted into capital stock of the Co.

RIGHTS ON DEFAULT — Trustee or 25% of debs. outstg. may declare principal due and payable (30 days' grace for payment of interest).

INDENTURE MODIFICATION — Indenture may be modified, except as provided, with consent of 66⅔% of debs. outstg.

LISTED — On New York Stock Exchange.

PURPOSE — Proceeds will be used for investments and acquisitions, retirement of subord. debt, capital expenditures and other general corporate purposes.

OFFERED — ($40,000,000) at 100 plus accrued interest (proceeds to Co., 97.25) on Nov. 29, 1978 thru Drexel Burnham Lambert Inc. and associates.

PRICE RANGE —	1986	1985	1984	1983	1982
High	103	93½	86⅝	91	71⅛
Low	91½	78	79⅛	87⅛	69⅛

2. Sequa Corp. (Sun Chemical Corp.) subordinated debenture 11¼s, due 1996:

Rating — Ba2

AUTH. — $40,000,000; outstg., Dec. 31, 1986, $40,000,000.

DATED — Aug. 1, 1979. DUE — Dec. 1, 1996.

INTEREST — J&D 1 to holders registered M&N 15.

TRUSTEE — Continental Illinois National Bank & Trust Co.

DENOMINATION — Fully registered, $1,000 and integral multiples of $1,000.

CALLABLE — As a whole or in part at any time on at least 30 but not more than 60 days' notice to each Nov. 30 as follows:

1986 . . . . . 105.63 1987 . . . . . 103.75 1988 . . . . . 101.88

and thereafter at 100. Not callable, however, prior to Dec. 1, 1983, thru refunding at an interest cost of less than 11¼% per annum. Also callable for sinking fund (which see) at 100.

SINKING FUND — Annually, Dec. 1, 1988-95, sufficient to redeem $3,600,000 principal amount of debs., plus similar optional payments. Sinking fund designed to retire 72% of issue prior to maturity.

SECURITY — OTHER PROVISIONS — Same as subord. deb. 11½s, 1996 except in dividend restriction date is Jan. 1, 1979.

LISTED — On New York Stock Exchange.
PURPOSE — Proceeds will be used to purchase additional shs. of com. stock and $5 cum. conv. pfd. stock of Chromalloy American Corp.
OFFERED — ($40,000,000) at 100 plus accrued terest (proceeds to Co. 97.40) on July 31, 1979 ru Drexel Burnham Lambert Inc.

RICE RANGE —	1986	1985	1984	1983	1982
High	104	94	87	90⅛	85⅛
Low	92	82½	75	85⅛	66½

Other Debt: Outstg. Dec. 31, 1986, $224,301,000 comprised of:

(1) $61,786,000 9.47% Insurance Co. Loan payable thru 1994.

(2) $61,757,000 11.5% United States government-insured Merchant Marine Bonds payable thru 2005.

(3) $20,000,000 11.38% term loans due 1988-96.

(4) $19,863,000 Mortgage notes payable and equipment obligations average interest rates of 8.6% to 9.2% thru 2013.

(5) $17,714,000 9.2% first preferred ship mortgage payable thru 1993.

(6) $11,982,000 10.85% senior notes due 1987-93.

(7) $13,886,000 prime rate credit agreements.

(8) $17,313,000 11.4% and 11.6% other debt due thru 2003.

In Feb. 1987, Co. cancelled its revolving credit agreements and replaced such agreements with open unsecured lines of credit with seven banks aggregating $148,000,000 which provide for borrowing at rates to be negotiated at the time of draw down. There were no borrowings under these agreements at Dec. 31, 1986. Prior to that time, Co. had a policy of maintaining availability under its multi-year credit agreements to fund amounts outstanding in commerical paper. In 1986 and 1985, the average amounts of commericial paper outstanding were $10,400,000 and $3,033,000, respectively with the largest sums outstanding at any one time amounting to $25,500,000 and $11,000,000, respectively. The weighted average interest rates were 7.5% in 1986 and 9% in 1985.

Co.'s loan agreements contain covenants which restrict, among other matters, the ability of Co. to borrow and pay dividends. Under most restrictive covenant at Dec. 31, 1986, consolidated retained earnings of approximately $22,500,000 were unrestricted as to payment of cash dividends.

In addition, certain of Co.'s consolidated and nonconsolidated subsidiaries are also subject to restrictions. Loans, advances and cash dividends to the parent are limited under covenants contained in their respective loan agreements and, to a much lesser extent, foreign government regulations. At Dec. 31, 1986, restricted net assets of consolidated and non-consolidated subsidiaries aggregated $300,000,000.

Capital Stock: 1. Sequa Corp. $5 cumulative convertible preferred; par $1:
AUTH. — 1,825,000 shares; outstg., Dec. 31, 1986, 805,333 shares; par $1.
DIVIDEND RIGHTS — Entitled to cumulative dividends of $5 per sh. per annum.
DIVIDEND RECORD — Initial dividend of $1.25 paid Feb. 1, 1987; regular quarterly dividends paid thereafter.
CONVERTIBLE — Each sh. in convertible into 1.322 shs. of Class A common.
ISSUED — Issued in connection with merger of Co. and Chromalloy American Corp.
LISTED — On NYSE (Symbol: SQA Pr).
PRICE RANGE — 1986, 93-92.

2. Sequa Corp. Class A common; no par:
AUTHORIZED — 25,000,000 shares; outstanding, Dec. 31, 1986, 6,897,000 shares (including shs. held in treasury); reserved for stock options, conversion of preferred and Class B common stock, 5,081,688 shares; no par.
DIVIDEND RIGHTS — For a period of five years commencing Jan. 1, 1987, annual dividends, if any, on Class A common will be at least $0.10 more per sh. than Class B common dividends.
DIVIDENDS —

On Old Common Stock

On no par shares:

1929	$1.875	1930-31	$2.50	1932	$0.25
1933	0.15	1934	1.00	1935	2.00
1936	5.00	1937	0.60		

On $1 par shares:

1937	0.90	1938	0.50	1939	0.80
1940	0.60	1941	0.65	1942	0.30
1943-44	0.40	1945	0.45	1946-47	0.60
1948	0.50	1949	0.40	1950	0.90
1951-54	0.75	1955	0.85	1956	0.90
1957	0.80	1958	0.70	1959-61	0.60
1962-76	0.40				

On $1 par shs. after 3-for-2 split:

1977	0.45	1978	0.60	1979	0.45

On $1 par shs. after 4-for-3 split:

1979	0.15	1980	0.60	1981	0.18

On $1 par shs. after 3-for-2 split:

1981	0.36	1982-86	0.48

On Class A common

[1]1987 ..... 0.15

[1]To Apr. 1.

DIVIDEND RESTRICTIONS — See long term debt above.
VOTING RIGHTS — Has one vote per share.
PREEMPTIVE RIGHTS — None.
TRANSFER AGENT & REGISTRAR — Manufacturers Hanover Trust Co., NYC.
LISTED — On NYSE (Symbol: SQA A).

PRICE RANGE —	1986	1985	1984	1983	1982
High	69	39	33	30⅞	24¾
Low	65	28⅜	24¼	17¾	13¼

3. Sequa Corp. Class B common; no par:
AUTHORIZED — 5,000,000 shares; outstanding Dec. 31, 1986, 3,930,000 shares (including shs. held in treasury); reserved for options and conversion of preferred, 113,179 shares; no par.
VOTING RIGHTS — Has ten votes per share.
CONVERTIBLE — Convertible into Class A common stk. on a sh.-for-sh. basis.
DIVIDENDS —
[1]1987 .... 0.12½

[1]To Apr. 1.

LISTED — On NYSE (Symbol: SQA B).
PRICE RANGE — 1986, 71¾-68¼.

Recapitalization: In Dec. 1986, stockholders approved a proposal to authorize 25,000,000 shares of Class A common and 5,000,000 shares of Class B common and each outstanding common share was converted into a one-half share of Class A and one-half share of Class B common.

SERVO CORP. OF AMERICA

History: Incorporated under New York laws June 19, 1946.

In 1956 company acquired all of the outstanding stock of Electronic Switch & Signal Co., Inc. (now Servo Electronic Switch & Signal Co., Inc.; merged in Dec. 1965).

In Feb. 1960 acquired Electro-Pulse, Inc., Culver City, Cal. for 28,707 shares.

On May 2, 1972 acquired Kar Trak Automated object identification product line from GTE Information Systems, Inc.

On Dec. 31, 1984, formed Servo International Inc. a wholly owned subsidiary.

On Dec. 31, 1984, Servo International Sales Corp. ceased operations.

In Feb. 1987, Co. acquired all outstg. shs. com. stk. in Applied Research, Inc. for cash. Other details not available.

Business: Co. is a high technology-type company, serving broad markets in the electronics industry. Products include computerized train inspection centers for the railroads and other areas of the transportation industry, radio navigation systems for airports and marine waterways and meteorological systems for military and commercial applications.

Property: Co. owns 11¼ acres of property and building of 134,000 sq. ft. in Hicksville, N.Y.

Subsidiary: Servo International Sales Corp.; Servo International Inc.

Officers

Henry Blackstone, Chmn.
S.A. Barre, Pres. & Chief Exec. Off.
L.A. Gallina, Senior Vice-Pres., Oper.
E.V. Mollichelli, Senior Vice-Pres. — Electronic Sys. Prog.
W.W. Weeden, Jr., Senior Vice-Pres., Transp. Prod.
R.J. Stalzer, Senior Vice-Pres. — Admin. & Fin.
H.P. Bifulco, Senior Vice-Pres. — Engineering
J.C. Tate, Vice-Pres.
J.E. Bambara, Vice-Pres.
W.L. Maher, Sec.
B.J. Smith, Contr.
E.W. Tappen, Jr., Treas.

Directors

Henry Blackstone — F.A. Lyon
S.A. Barre — E.N. Block
A.J. Strassman

Auditors: Albrecht, Viggiano, Zureck & Co., P.C.

General Counsel: Cullen & Dykman.

Annual Meeting: In Apr.

No. of Stockholders: Jan. 9, 1987, 877.

Office: 111 New South Road, Hicksville, NY 11802. **Tel.:** (516)938-9700.

Consolidated Income Account, years ended Oct. 31 ($000 omitted):

	1986	1985	1984
Net sales	18,267	14,980	12,547
Cost of sales	10,947	9,689	8,640
Selling, etc., exps.	4,335	3,481	2,791
Resarch & devel.	1,125	1,142	1,263
[1]Oper. income	1,861	669	d147
Interest inc.	207	363	340
Total	2,068	1,032	193
Interest exp.	34	29	102
Income taxes	900	458	8
Net income	1,133	545	83
Earn., com. share	[3]$1.52	$0.77	$0.12
Common Shares:			
Yr.-end	685,799	680,571	665,071
[2]Average	[3]745,041	707,369	708,383

[1]After $274,759 (1985, $251,055; 1984, $337,258) deprec. & amort. [2]Incl. com. equiv. shs. [3]$1.51 on 749,641 shs. fully diluted.

Consolidated Balance Sheet, as of Oct. 31 ($000 omitted):

	1986	1985
Assets:		
Cash & equiv.	2,462	2,639
Receivables, net	1,410	2,486
[2]Inventories	3,808	2,995
Prepayments	262	160
Def. tax benef.	90	125
Total current	8,032	8,405
[1]Net property, etc.	1,325	1,154
Cash surrend. val. life ins.	361	342
Def. tax benef.	260	245
Total	9,978	10,146
Liabilities:		
Debt due	14	30
Accts. payable	686	618
Income taxes	347	356
Accruals	1,074	808
[3]Other curr. liab.	310	1,541
Total current	2,432	3,352
Long-term debt	315	329
Def. compens.	298	323
Common stk. ($1)	686	681
Capital surplus	631	978
Retained earnings	5,616	4,483
Total	9,978	10,146
Net current assets	5,600	5,053
Net tang. com. share	$10.11	$9.02

[1]Deprec.: 1986, $3,152,478; 1985, $2,935,392. [2]Lower of cost (fifo) or mkt. [3]Amounts received in excess of costs incurred under U.S. Government contracts.

Long Term Debt: Outstg. Oct. 31, 1986, $329,251 consisting of:

(1) $406 installment loan.
(2) $315,009 5% officer's life insurance loan.
(3) $13,782 unsecured loan.

Co. maintains a $3,000,000 three-year revolving line of credit from a bank. Under the terms of the credit agreement, the interest rate per annum is at prime for borrowings and ⅜% for the unutilized portion of the $3,000,000 total commitment. This credit line may be utilized through the renewal date which is Feb. 15, 1987. Included in the credit agreement is the availability of the $1,500,000 for the opening of standby letters of credit, at a rate of ¾% per annum, provided that the total amount of the loan and the standby letters of credit do not exceed at any time the commitment. As of Oct. 31, 1986, there were no borrowings or standby letters of credit outstanding against this commitment. Co. is required to maintain working capital at $2,700,000, net worth of at least $3,500,000, a current ratio of 1.7, total liabilities to equity of not more than 1.5 to 1, and net income after taxes (plus depreciation) of at least two times the current portion of long-term debt. The last covenant is on a fiscal year basis.

Co. maintains a $3,000,000 unsecured line of credit with another bank. The unsecured line of credit expires annually on the last day of April. It may be renewed for an additional year with the consent of Co. and the bank. The line of credit may be used for short term borrowings and/or standby letters of credit not to exceed the $3,000,000 limit. The interest rate for short term borrowing is at prime for a floating rate or matched funding (determined by market conditions) for a fixed rate at Servo's options. Standby letters of credit are charged at a ¾% per annum rate. Co. had $414,725 of standby letters of credit outstanding under this agreement at Oct. 31, 1986. There were no borrowings against this line during the year.

Capital Stock: Servo Corp. of America, common; par $1:
AUTHORIZED — 2,000,000 shares; outstanding, Oct. 31, 1986, 685,799 shares; in treasury, 116,455 shares; reserved for options, 268,600 shares; reserved for incentive stock purchase plan, 229,033 shares; reserved for stock purchase plan, 60,000 shs.; par $1.

Henry Blackstone owns 205,530 shares (31.9%).
VOTING RIGHTS — Has one vote per share.
PREEMPTIVE RIGHTS — None.
DIVIDENDS PAID —

1955	$0.05	1956	$0.20	1957	$0.15
1958-86	Nil				

TRANSFER AND DIVIDEND DISBURSING AGENT AND REGISTRAR — Registrar and Transfer Co., NYC.
LISTED — On ASE (Symbol: SCA).

PRICE RANGE:	1986	1985	1984	1983	1982
High	23½	11	14¾	16¼	13⅝
Low	10½	8¼	7⅝	9½	3½

SERVOTRONICS, INC.

History: Incorporated in Del. in 1972, as successor to company of the same name originally incorporated in New York in 1959.

Business: Co. is engaged in the design, manufacture, and marketing of a variety of servo-control components, metallic seals, custom metal stampings and precision progressive dies; and a comprehensive line of cutlery, pocket knives, sport knives, and related products.

Property: Co. maintains its executive office in Buffalo, N.Y.

Officers

N.D. Trbovich, Chmn. & Pres.
W.H. Meyer, Vice Pres.
R.E. Rolls, Treas. & Sec.
L.D. Burns, Asst. Treas.
B.E. Kucinski, Asst. Sec.

Directors

D.W. Hedges — N.D. Trbovich
F.J. McGuire

Auditors: Price Waterhouse.

Counsel: Jaeckle, Fleischmann & Mugel.

No. of Shareholders: Dec. 31, 1986, approx. 1,094.